AS FILED WITH THE SECURITIES AND EXCHANGE COMMISSION ON JUNE 16, 1997

REGISTRATION STATEMENT NO. 333-25279

.

SECURITIES AND EXCHANGE COMMISSION

WASHINGTON, D.C. 20549

AMENDMENT NO. 6 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. 8 ARLINGTON STREET BOSTON, MASSACHUSETTS 02116 (617) 859-2600 (NAME AND ADDRESS OF AGENT FOR SERVICE)

COPIES TO:

GILBERT G. MENNA, P.C. GOODWIN, PROCTER & HOAR LLP EXCHANGE PLACE BOSTON, MASSACHUSETTS 02109 (617) 570-1000 WALLACE L. SCHWARTZ, ESQ. SKADDEN, ARPS, SLATE, MEAGHER & FLOM LLP 919 THIRD AVENUE NEW YORK, NEW YORK 10022 (212) 735-3000

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.

PROSPECTUS

SUBJECT TO COMPLETION JUNE 16, 1997 31,400,000 SHARES BOSTON PROPERTIES, INC.

[LOGO OF BOSTON PROPERTIES APPEARS HERE

COMMON STOCK

Boston Properties, Inc. 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 Greater Boston, Greater Washington, D.C. and midtown Manhattan. Upon completion of the Offering, the Company will own 75 properties aggregating approximately 11.0 million square feet, 89% of which was developed or redeveloped by the Company. The Company's portfolio consists of 63 office properties (including seven under development), two hotels, nine industrial properties, and one garage property. In addition, the Company will own, have under contract or have options to acquire six parcels of land, which will support approximately 1.0 million square feet of development.

Following the Offering, Mr. Zuckerman will serve as Chairman, Mr. Linde will serve as President and Chief Executive Officer and together they will own a 31.9% economic interest in the Company. The Company is a fully integrated, self-administered and self-managed real estate company and expects to qualify as a real estate investment trust ("REIT") for federal income tax purposes. Upon completion of the Offering, the Company will have a \$300 million unsecured line of credit.

All of the shares of the Common Stock offered hereby are being sold by the Company. Of the 31,400,000 shares of Common Stock being offered hereby, 25,120,000 shares are being offered initially in the United States and Canada by the U.S. Underwriters and 6,280,000 shares are being offered initially outside the United States and Canada by the International Managers. See "Underwriting."

Prior to the Offering, there has been no public market for the Common Stock. It is currently estimated that the initial public offering price will be between \$24.00 and \$26.00 per share. See "Underwriting" for information relating to the factors to be considered in determining the initial public offering price. The Common Stock has been approved for listing on the New York Stock Exchange under the symbol "BXP," subject to official notice of issuance.

SEE "RISK FACTORS" BEGINNING ON PAGE 19 FOR CERTAIN FACTORS RELEVANT TO AN INVESTMENT IN THE COMMON STOCK, INCLUDING:

- . The Company intends to develop commercial properties and its return on such investments can be lower than anticipated because properties can cost more to develop, take longer to develop or lease, or lease for lower rent than anticipated;
- . The Company intends to acquire portfolios or individual properties; such acquisitions may not achieve their intended return;
- . Conflicts of interest exist between the Company and Messrs. Zuckerman and Linde in connection with the formation of the Company and its continuing operations, including with respect to certain restrictions on the Company's ability to sell or transfer four properties, for a period of ten years, without the consent of Messrs. Zuckerman and Linde;
- . The Company relies on key personnel whose continued service is not guaranteed, including Messrs. Zuckerman and Linde;
- . The consideration to be given by the Company for properties at the completion of the Offering may exceed their fair market value; no third-party appraisals were obtained by the Company regarding these properties;
- The Company has had historical accounting losses for certain fiscal years and could have such losses in the future;
 Real estate investment and property management are inherently risky as
- Real estate investment and property management are inherently risky as rents can fluctuate and operating costs can increase;
 The Company may not be able to refinance indebtedness on favorable terms,
- . The Company may not be able to refinance indebtedness on favorable terms, and interest rates might increase on amounts drawn under the Company's proposed line of credit;
- . If the Company fails to qualify as a REIT, it will be taxed as a regular corporation; and
- . Stockholders' ability to change control of the Company is limited by the Company's organizational documents and Delaware law.

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.

			NG PROCEEDS TO) COMPANY(2)
Per Share	\$	\$	\$
Total(3)	\$	\$	\$
 (1) The Company has agreed to indemnif certain liabilities, including lia 1933, as amended. See "Underwritin (2) Before deducting estimated expense (3) The Company has granted the U.S. U up to an additional 3,768,000 shar International Managers a 30-day op 942,000 shares of Common Stock, on forth above solely to cover overal exercised in full, the total Price Proceeds to Company will be \$, "Underwriting." 	bilities ag." Inderwrite es of Com ption to p the same lotments, to Publi	under the Se payable by ers a 30-day mon Stock, a purchase up t te terms and c if any. If ic, Underwrit	ecurities Act of the Company. option to purcha and has granted t to an additional conditions as set such options are ting Discount and
The shares of Common Stock are offer to prior sale, when, as and if issued of certain legal maters by counsel for reserve the right to withdraw, cancel in whole or in part. It is expected th New York, New York on or about , 19	and accep the Unde or modify at delive	oted by them, erwriters. Th / such offer	subject to appr be Underwriters and to reject or

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

BEAR, STEARNS & CO. INC. MORGAN STANLEY DEAN WITTER PAINEWEBBER INCORPORATED PRUDENTIAL SECURITIES INCORPORATED SMITH BARNEY INC.

The date of this Prospectus is , 1997.

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." [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] [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.

PAGE

PROSPECTUS SUMMARY	1
The Company	1
Risk Factors	3
Business and Growth Strategies	4
The Properties	4 5
Summary Property Data	5
Unsecured Line of Credit	11
Structure and Formation of the Company	11
Restrictions on Transfer	14
Conflicts of Interest	14
Restrictions on Ownership of Common Stock	14
The Offering	15
Distributions	15
Tax Status of the Company	15
SUMMARY SELECTED FINANCIAL INFORMATION	16
RISK FACTORS	19
The Company's Investments in Property Development May Not Yield Expected	
Returns	19
The Company May Not Achieve Expected Returns on Property Acquisitions	19
Conflicts of Interest Exist Between the Company and Messrs. Zuckerman	
and Linde in Connection with the Formation and Operation of the	
Company	19
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	19
For a period of time, sales of properties and repayment of indebtedness	
will have different effects on holders of OP Units than on	
stockholders	20
Messrs. Zuckerman and Linde will continue to own a controlling interest	20
in one excluded property	20
Messrs. Zuckerman and Linde will continue to engage in other	20
activities	20
The Company Relies on Key Personnel Whose Continued Service is Not	20
Guaranteed	21
There is No Assurance that the Company is Paying Fair Market Value for	21
the Properties	21
The Company Has Had Historical Accounting Losses and Has a Deficit in	21
Owners' Equity; The Company May Experience Future Losses	21
	21
The Company's Performance and Value Are Subject to Risks Associated with	~
the Real Estate Industry	21
Lease expirations could adversely affect the Company's cash flow	21
Hotel operating risks could adversely affect the Company's cash flow	22
Acquisition risks could adversely affect the Company	22
Uncontrollable factors affecting the Properties' performance and value	
could produce lower returns	22
Illiquidity of real estate investments could adversely affect the	
Company's financial condition	22

PAGE

Liability for environmental matters could adversely affect the	
Company's financial condition	23
The cost of complying with the Americans with Disabilities Act could	
adversely affect the Company's cash flow	23
Uninsured losses could adversely affect the Company's cash flow	23
Changes in tax and environmental laws could adversely affect the	
Company's financial condition	24
The Company's Use of Debt to Finance Acquisitions and Developments Could	24
Adversely Affect the Company	24
The required repayment of debt or of interest thereon can adversely	24
affect the Company	24
The Company's policy of no limitation on debt could adversely affect	24
the Company's cash flow	24
Consent of lenders is required in order for the Company to assume	24
	24
ownership of certain Properties at the completion of the Offering	24
Failure to Qualify as a REIT Would Cause the Company to be Taxed as a	~ -
Corporation	25
The Company will be taxed as a corporation if it fails to qualify as a	~ -
REIT.	25
To qualify as a REIT the Company will need to maintain a certain level	
of distributions	25
Other Tax Liabilities	26
The Ability of Stockholders to Control the Policies of the Company and	
Effect a Change of Control of the Company is Limited	25
Stockholder approval is not required to change policies of the	
Company	25
Stockholder approval is not required to engage in investment activity	26
Stock ownership limit in the Certificate could inhibit changes in	
control	26
Provisions in the Certificate and Bylaws and in the Operating	
Partnership Agreement could prevent acquisitions and changes in	
control	26
Shareholder Rights Agreement could inhibit changes in control	27
Certain provisions of Delaware Law could inhibit acquisitions and	
changes in control	28
Provisions of Debt Instruments	28
	-0

Lack of a Prior Market, Interest Rates, Equity Market Conditions, and Shares Available for Future Sale Could Adversely Impact the Trading	
Price of the Common Stock	28
There was no prior market for the Common Stock	
Interest rates and trading levels of equity markets could change	28
Availability of shares for future sale could adversely affect the	
market price	28
Purchasers of Common Stock in the Offering will Experience Immediate and	
Substantial Book Value Dilution	29
THE COMPANY	30
General	
History	32

PAGE

BUSINESS AND GROWTH STRATEGIES	34
USE OF PROCEEDS	38
DISTRIBUTIONS	40
CAPITALIZATION	44
DILUTION	46
SELECTED FINANCIAL INFORMATION	47
MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS	
OF OPERATIONS	50
Results of Operations	50
Pro Forma Operating Results	52
Liquidity and Capital Resources	53
Cash Flows	54
Funds from Operations	55
Inflation	55
BUSINESS AND PROPERTIES	56
General	56
Summary Property Data	57
Location of Properties	60
Tenants	62
The Office Properties	70
The Industrial Properties The Hotel Properties	90
The Development Properties	96 98
Development Parcels	90 99
Proposed Developments	99
Development Consulting and Third-Party Property Management	100
Partial Interests	101
Environmental Matters	102
THE UNSECURED LINE OF CREDIT	103
MANAGEMENT	104
Directors and Executive Officers	104
Committees of the Board of Directors	107
Compensation of Directors	108
Executive Compensation	108
Employment and Noncompetition Agreements	109
Compensation Committee Interlocks and Insider Participation	109
Stock Option Plan	109
Limitation of Liability and Indemnification	113
Indemnification Agreements	114
CERTAIN TRANSACTIONS	114
POLICIES WITH RESPECT TO CERTAIN ACTIVITIES	115
Investment Policies	115
Dispositions Financing Policies	116
Conflict of Interest Policies	116 116
Policies with Respect to Other Activities	118
STRUCTURE AND FORMATION OF THE COMPANY	118
Formation Transactions	118
Consequences of the Offering and the Formation Transactions	120
Benefits to Related Parties	120
Restrictions on Transfer	121
Restrictions on Ownership of Common Stock	121

PAGE

OPERATING PARTNERSHIP AGREEMENT	122
Management	122
Removal of the General Partner; Transfer of the General Partner's	
Interest	122
Amendments of the Operating Partnership Agreement	122
Transfer of OP Units; Substitute Limited Partners	123
Redemption of OP Units	123
Issuance of Additional Limited Partnership Interests	123
Extraordinary Transactions	
Tax Protection Provisions	
Exculpation and Indemnification of the General Partner	
Tax Matters	
Term	
PRINCIPAL STOCKHOLDERS	126
DESCRIPTION OF CAPITAL STOCK	127
General	127
Common Stock	127
Preferred Stock	127
Restrictions on Transfers	128
Shareholder Rights Agreement	129
CERTAIN PROVISIONS OF DELAWARE LAW AND THE COMPANY'S CERTIFICATE AND	
BYLAWS	132
Amendment of Certificate and Bylaws	132
Dissolution of the Company	132
Meetings of Stockholders	132
The Board of Directors	133
Shareholder Rights Plan and Ownership Limitations	133
Limitation of Liability and Indemnification	133
Business Combinations	
Indemnification Agreements	
SHARES AVAILABLE FOR FUTURE SALE	
General	
Registration Rights	
FEDERAL INCOME TAX CONSEQUENCES Federal Income Taxation of the Company	136 136
	130

Opinion of Tax Counsel Requirements for Oualification	
Failure to Qualify	
Taxation of U.S. Stockholders	
Special Tax Considerations for Foreign Stockholders	
Information Reporting Requirements and Backup Withholding Tax	
Other Tax Considerations	
State and Local Tax	
UNDERWRITING	
EXPERTS	
LEGAL MATTERS	
ADDITIONAL INFORMATION	
GLOSSARY	
INDEX TO FINANCIAL STATEMENTS	⊦-1

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' overallotment 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 in 1996 (on a pro forma basis) accounted for 98% of the Company's rental revenues. 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. The Properties are primarily located in twelve submarkets, including six submarkets in Greater Boston, five submarkets in Greater Washington, D.C. and the Park Avenue submarket of midtown Manhattan.

The following table provides a summary of the Base 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	TOTAL BASE RENT	PERCENTAGE OF TOTAL SQUARE FEET
Greater Boston	31	25.5%	33.2%
Greater Washington, D.C	27	50.1	48.5
Midtown Manhattan	1	23.1	11.5
Other	13	1.3	6.8

The 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 releasing 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 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. 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. See "Policies with Respect to Certain Activities--Investment Policies," "Business and Properties" and "Business and Growth Strategies."

As a public company, the Company believes it will have 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. 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. 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 Underwriters' overallotment option is exercised in full). The Company does not have a specific policy regarding the amount of leverage that it expects to use as a whole or with respect to individual properties.

The Company's Board of Directors will initially consist of five directors, including Messrs. Zuckerman and Linde and three independent directors. Mr. Linde, as President and Chief Executive Officer, will have an employment and noncompetition agreement with the Company. In his capacity as Chairman of the Board of Directors, Mr. Zuckerman will serve as a non-executive officer of the Company and will be subject to a noncompetition agreement with the Company but not an employment agreement. Mr. Zuckerman has historically devoted a significant portion of his time to the Company, although over the last twenty years less than a majority of his business time, in the aggregate, has been spent on the Company's affairs. Mr. Zuckerman has no present commitments inconsistent with his current level of involvement with the Company. See "Management--Directors and Executive Officers" and "Management--Employment and Noncompetition Agreements."

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 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; in particular, for a period of ten years the Company will, in general, be restricted from selling or transferring in a taxable transaction any of four Designated Properties without the consent of Messrs. Zuckerman and Linde;
- . dependence on key personnel whose continued service is not guaranteed, particularly Messrs. Zuckerman and Linde;
- . 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;
- . after depreciation and amortization, the Company 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;
- . 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;

- . 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.

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.

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.

Cultivate Existing Submarkets. 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. There can be no assurance that the Company will be able to re-let available space at higher rental rates. 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 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 wellmaintained 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 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.

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 7.2% of the aggregate Base 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. 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 Properties had a weighted average occupancy rate of 84.0%, a weighted average ADR of \$174.97 and a weighted average REVPAR of \$147.44. Management believes that REVPAR (as defined more fully in the Glossary) is an industry standard measure used to present hotel operating data. 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.

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.		PERCENT LEASED AS OF 12/31/96
OFFICE PROPER- TIES:							
Class A Office Buildings:							
+*599 Lexington Avenue (4)		New York, NY	100.0%	1986	1	1,000,070	97%
+*Two Indepen- dence Square (5)							
(6) Democracy Cen-		SW Washington, DC	100.0	1992	1	579,600	100
ter *One Indepen-		Bethesda, MD	100.0	1985-88/94-96	3	680,000	96
dence Square (5)		SW Washington, DC	100.0	1991	1	337,794	100
*Capital Gal- lery		SW Washington, DC	100.0	1981	1	396,255	93
*2300 N Street US International		NW Washington, DC	100.0	1986	1	276,906	88
Trade Commission Building							
(5)(7) One Cambridge		SW Washington, DC	100.0	1987	1	243,998	100
Center *Ten Cambridge		Cambridge, MA	100.0	1987	1	215,385	100
Center *10 & 20 Bur-		Cambridge, MA	100.0	1990	1	152,664	100
lington Mall Road		Burlington, MA	100.0	1984-86/95-96	2	152,552	100
*Newport Office Park (8)		Quincy, MA	100.0	1988	1	168,829	95
*191 Spring Street		Lexington, MA	100.0	1971/95	1	162,700	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
*Montvale Center (9)		Gaithersburg, MD	75.0	1987	1	122,157	100
Three Cambridge Center		Cambridge, MA	100.0	1987	1	107,484	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 Busi- ness Park		Bedford, MA	100.0	1980	1	90,000	100
91 Hartwell Ave- nue		Lexington, MA	100.0	1985/96	1	122,135	51
100 Hayden Ave- nue		Lexington, MA	100.0	1985	1	55,924	100
32 Hartwell Ave- nue		Lexington, MA	100.0	1968-79/87	1	69,154	100
33 Hayden Ave- nue		Lexington, MA	100.0	1979	1	79,564	100
8 Arlington Street (10)		Boston, MA	100.0	1860/1920/89	1	30,526	100
Eleven Cambridge Center		Cambridge, MA	100.0	1984	1	79,616	100
204 Second Ave- nue		Waltham, MA	100.0	1981/93	1	40,974	100
92 Hayden Ave- nue		Lexington, MA	100.0	1968/84		30,980	100
SUBTOTAL/WEIGHTED A	VERAGE FOR CLASS A OFFICE BUILD	DINGS (11)			33	5,630,183	
R&D Properties:					===	=======	===
*Bedford Busi- ness Park 7601 Boston		Bedford, MA	100.0%	1962-78/96	2	383,704	100%
Boulevard, Building Eight		Considerational AVA	100.0	1000	4	100 750	100
(5)(12) Fourteen Cam- bridge Contor		Springfield, VA	100.0	1986		103,750	
bridge Center *Hilltop Busi-		Cambridge, MA	100.0	1983	1	67,362	100
ness Center (13) 7500 Boston Bou-		So. San Francisco, CA	35.7	early 1970's	9	144,479	90
levard, Building Six(5) 7600 Boston Bou- levard, Building		Springfield, VA	100.0	1985	1	79,971	100
levard, Building							

Nine	Springfield, VA	100.0	1987	1	69,832	100
7435 Boston Bou- levard, Building						
One	Springfield, VA	100.0	1982	1	105,414	67
8000 Grainger						
Court, Building Five	Springfield, VA	100.0	1984	1	90,465	100
7374 Boston Bou-	opringricid, VA	100.0	1004	-	50,405	100
levard, Building						
Four (5)	Springfield, VA	100.0	1984	1	57,321	100
7451 Boston Bou- levard, Building						
Τωο	Springfield, VA	100.0	1982	1	47,001	100
8000 Corporate Court, Building						
Eleven	Springfield, VA	100.0	1989	1	52,539	100
7375 Boston Bou-						
levard, Building Ten (5)	Springfield, VA	100.0	1988	1	26,865	100
164 Lexington	Spiringireru, VA	100.0	1900	1	20,000	100
Road	Billerica, MA	100.0	1982	1	64,140	100
17 Hartwell Ave- nue	Lexington, MA	100.0	1968	1	30,000	100
	Londing conty that	20010	2000			
SUBTOTAL/WEIGHTED AVERAGE FOR R&D PROPERTIES				23 ===	1,322,843	96%
INDUSTRIAL PROP-				===		===
ERTIES:						
38 Cabot Boule-	Langhorno DA	100 0%	1070 /07	4	161 000	100%
vard (14) 6201 Columbia	Langhorne, PA	100.0%	1972/84	1	161,000	100%
Park						
Road, Building	Landovor MD	100.0	1000	4	00 005	97
Two 2000 South Club	Landover, MD	100.0	1986	1	99,885	87
Drive, Building						
Three 40-46 Harvard	Landover, MD	100.0	1988	1	83,608	100
Street	Westwood, MA	100.0	1967/96	1	169,273	90
25-33 Dartmouth	·					
Street	Westwood, MA	100.0	1966/96	1	78,045	87
1950 Stanford Court, Building						
One	Landover, MD	100.0	1986	1	53,250	100
2391 West Winton Avenue	Hayward, CA	100.0	1974	1	221,000	27(15)
560 Forbes Bou-	haywara, on	100.0	1014	-	221,000	27(13)
levard (13)	So. San Francisco, CA	A 35.7	early 1970's	1	40,000	100
430 Rozzi Place	So. San Francisco, CA					
(13)	SU. SAIL FLAILLISCU, CF	A 35.7	early 1970's	1	20,000	100
(13)			early 1970's		20,000	100
(13) SUBTOTAL/WEIGHTED AVERAGE FOR INDUSTRIAL PROPERT				 9	926,061	 78%(15)
SUBTOTAL/WEIGHTED AVERAGE FOR INDUSTRIAL PROPERT DEVELOPMENT PROPERTIES:				 9	926,061	 78%(15)
SUBTOTAL/WEIGHTED AVERAGE FOR INDUSTRIAL PROPERT DEVELOPMENT PROPERTIES: Class A Office				 9	926,061	 78%(15)
SUBTOTAL/WEIGHTED AVERAGE FOR INDUSTRIAL PROPERT DEVELOPMENT PROPERTIES: Class A Office Buildings: BDM				 9	926,061	 78%(15)
SUBTOTAL/WEIGHTED AVERAGE FOR INDUSTRIAL PROPERT DEVELOPMENT PROPERTIES: Class A Office Buildings: BDM International	IES			9 ===	926,061	 78%(15) ===
SUBTOTAL/WEIGHTED AVERAGE FOR INDUSTRIAL PROPERT DEVELOPMENT PROPERTIES: Class A Office Buildings: BDM International Buildings (16)				 9	926,061	 78%(15)
SUBTOTAL/WEIGHTED AVERAGE FOR INDUSTRIAL PROPERT DEVELOPMENT PROPERTIES: Class A Office Buildings: BDM International Buildings (16) 201 Spring Street (17)	IES			9 ===	926,061	 78%(15) ===
SUBTOTAL/WEIGHTED AVERAGE FOR INDUSTRIAL PROPERT DEVELOPMENT PROPERTIES: Class A Office Buildings: BDM International Buildings (16) 201 Spring Street (17) R&D Properties:	IES	25.0%	1999	9 ==== 2	926,061 ====================================	78%(15) ===
SUBTOTAL/WEIGHTED AVERAGE FOR INDUSTRIAL PROPERT DEVELOPMENT PROPERTIES: Class A Office Buildings: BDM International Buildings (16) 201 Spring Street (17)	IES	25.0%	1999	9 ==== 2	926,061 ====================================	78%(15) ===
SUBTOTAL/WEIGHTED AVERAGE FOR INDUSTRIAL PROPERT 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	IES Reston, VA Lexington, MA	25.0% 100.0	1999 1997	9 === 2 1	926,061 	 78%(15) ===
SUBTOTAL/WEIGHTED AVERAGE FOR INDUSTRIAL PROPERT DEVELOPMENT PROPERTIES: Class A Office Buildings: BDM International Buildings (16) 201 Spring Street (17) R&D Properties: 7700 Boston Boulevard, Building Twelve (18)	IES Reston, VA Lexington, MA	25.0% 100.0	1999 1997	9 === 2 1	926,061 	 78%(15) ===
SUBTOTAL/WEIGHTED AVERAGE FOR INDUSTRIAL PROPERT 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	IES Reston, VA Lexington, MA	25.0% 100.0	1999 1997	9 === 2 1	926,061 	 78%(15) ===
SUBTOTAL/WEIGHTED AVERAGE FOR INDUSTRIAL PROPERT 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	IES Reston, VA Lexington, MA Springfield, VA	25.0% 100.0 100.0	1999 1997 1997	9 === 2 1	926,061 	 78%(15) ===
SUBTOTAL/WEIGHTED AVERAGE FOR INDUSTRIAL PROPERT 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	IES Reston, VA Lexington, MA Springfield, VA Springfield, VA	25.0% 100.0 100.0 100.0	1999 1997 1997 1997	9 === 2 1 1	926,061 	 78%(15) ===
SUBTOTAL/WEIGHTED AVERAGE FOR INDUSTRIAL PROPERT 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	IES Reston, VA Lexington, MA Springfield, VA	25.0% 100.0 100.0	1999 1997 1997	9 === 2 1	926,061 	78%(15) ===
SUBTOTAL/WEIGHTED AVERAGE FOR INDUSTRIAL PROPERT 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	IES Reston, VA Lexington, MA Springfield, VA Springfield, VA Herndon, VA	25.0% 100.0 100.0 100.0 100.0	1999 1997 1997 1997 1997 1986/97	9 === 2 1 1 1	926,061 	 78%(15) ===
SUBTOTAL/WEIGHTED AVERAGE FOR INDUSTRIAL PROPERT 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	IES Reston, VA Lexington, MA Springfield, VA Springfield, VA	25.0% 100.0 100.0 100.0	1999 1997 1997 1997	9 === 2 1 1	926,061 	78%(15) ===
SUBTOTAL/WEIGHTED AVERAGE FOR INDUSTRIAL PROPERT 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	IES 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	9 === 2 1 1 1 1 1 7	926,061 	78%(15) ===
SUBTOTAL/WEIGHTED AVERAGE FOR INDUSTRIAL PROPERT 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 FOR DEVELOPMENT PROPERTIES	IES 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	9 === 2 1 1 1 1 1	926,061 ====================================	 78%(15) ===
SUBTOTAL/WEIGHTED AVERAGE FOR INDUSTRIAL PROPERT 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)	IES 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	9 === 2 1 1 1 1 1 7	926,061 	 78%(15) ===
SUBTOTAL/WEIGHTED AVERAGE FOR INDUSTRIAL PROPERT 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) SUBTOTAL FOR DEVELOPMENT PROPERTIES TOTAL/WEIGHTED AVERAGE FOR OFFICE, INDUSTRIAL AN	IES 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	9 === 2 1 1 1 1 1 1 	926,061 	 78%(15) === ===
SUBTOTAL/WEIGHTED AVERAGE FOR INDUSTRIAL PROPERT 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) SUBTOTAL FOR DEVELOPMENT PROPERTIES TOTAL/WEIGHTED AVERAGE FOR OFFICE, INDUSTRIAL AN	IES 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	9 === 2 1 1 1 1 1 1 	926,061 ====================================	78%(15) === === 94%(21)
SUBTOTAL/WEIGHTED AVERAGE FOR INDUSTRIAL PROPERT 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) SUBTOTAL FOR DEVELOPMENT PROPERTIES TOTAL/WEIGHTED AVERAGE FOR OFFICE, INDUSTRIAL AN	IES 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 	9 === 2 1 1 1 1 1 1 7 == 72 === NUAL N	926,061 ====================================	78%(15) === === 94%(21)
SUBTOTAL/WEIGHTED AVERAGE FOR INDUSTRIAL PROPERT 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) SUBTOTAL FOR DEVELOPMENT PROPERTIES TOTAL/WEIGHTED AVERAGE FOR OFFICE, INDUSTRIAL AN	IES Reston, VA Lexington, MA Springfield, VA Springfield, VA Herndon, VA Herndon, VA D DEVELOPMENT BASE	25.0% 100.0 100.0 100.0 100.0 100.0 BAS	1999 1997 1997 1997 1986/97 1985/97 	9 === 2 1 1 1 1 1 1 7 === 72 === NUAL N FECTIV	926,061 ====================================	78%(15) === === 94%(21)
SUBTOTAL/WEIGHTED AVERAGE FOR INDUSTRIAL PROPERT 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) SUBTOTAL FOR DEVELOPMENT PROPERTIES TOTAL/WEIGHTED AVERAGE FOR OFFICE, INDUSTRIAL AN	IES 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 1985/97	9 === 2 1 1 1 1 1 1 1 7 == 72 == NUAL M FECTION ENT PE LEASED	926,061 ====================================	78%(15) === === 94%(21)
SUBTOTAL/WEIGHTED AVERAGE FOR INDUSTRIAL PROPERT 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 FOR DEVELOPMENT PROPERTIES TOTAL/WEIGHTED AVERAGE FOR OFFICE, INDUSTRIAL AN PROPERTIES	IES Reston, VA Lexington, MA Springfield, VA Springfield, VA Herndon, VA Herndon, VA D DEVELOPMENT BASE RENT PERCENT AS OF BASE 12/31/96(2) RENT	25.0% 100.0 100.0 100.0 100.0 100.0 100.0 0F BAS RENT LEAS SQUA FOOT (1999 1997 1997 1997 1986/97 1985/97 1985/97 	9 === 2 1 1 1 1 1 1 1 1 1 1 1 7 === 72 === NUAL M FECTIV ENT PE LEASED SQUARE OUT (3)	926,061 ======= 440,000 102,000 80,514 75,756 59,585 52,533 810,388 ======= 8,689,475 ======= 8,689,475 =========	78%(15) === === 94%(21)
SUBTOTAL/WEIGHTED AVERAGE FOR INDUSTRIAL PROPERT 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 FOR DEVELOPMENT PROPERTIES TOTAL/WEIGHTED AVERAGE FOR OFFICE, INDUSTRIAL AN PROPERTIES	IES Reston, VA Lexington, MA Springfield, VA Springfield, VA Herndon, VA Herndon, VA D DEVELOPMENT BASE RENT PERCENT AS OF BASE	25.0% 100.0 100.0 100.0 100.0 100.0 100.0 0F BAS RENT LEAS SQUA FOOT (1999 1997 1997 1997 1986/97 1985/97 1985/97 	9 === 2 1 1 1 1 1 1 1 1 1 1 1 7 === 72 === NUAL M FECTIV ENT PE LEASED SQUARE OUT (3)	926,061 ====================================	78%(15) === === 94%(21)
SUBTOTAL/WEIGHTED AVERAGE FOR INDUSTRIAL PROPERT 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 FOR DEVELOPMENT PROPERTIES TOTAL/WEIGHTED AVERAGE FOR OFFICE, INDUSTRIAL AN PROPERTIES	IES Reston, VA Lexington, MA Springfield, VA Springfield, VA Herndon, VA Herndon, VA D DEVELOPMENT BASE RENT PERCENT AS OF BASE 12/31/96(2) RENT	25.0% 100.0 100.0 100.0 100.0 100.0 100.0 0F BAS RENT LEAS SQUA FOOT (1999 1997 1997 1997 1986/97 1985/97 1985/97 	9 === 2 1 1 1 1 1 1 1 1 1 1 1 7 === 72 === NUAL M FECTIV ENT PE LEASED SQUARE OUT (3)	926,061 ======= 440,000 102,000 80,514 75,756 59,585 52,533 810,388 ======= 8,689,475 ======= 8,689,475 =========	78%(15) === === 94%(21)
SUBTOTAL/WEIGHTED AVERAGE FOR INDUSTRIAL PROPERT 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) SUBTOTAL FOR DEVELOPMENT PROPERTIES TOTAL/WEIGHTED AVERAGE FOR OFFICE, INDUSTRIAL AN PROPERTIES PROPERTY NAME 	IES Reston, VA Lexington, MA Springfield, VA Springfield, VA Herndon, VA Herndon, VA D DEVELOPMENT BASE RENT PERCENT AS OF BASE 12/31/96(2) RENT	25.0% 100.0 100.0 100.0 100.0 100.0 100.0 0F BAS RENT LEAS SQUA FOOT (1999 1997 1997 1997 1986/97 1985/97 1985/97 	9 === 2 1 1 1 1 1 1 1 1 1 1 1 7 === 72 === NUAL M FECTIV ENT PE LEASED SQUARE OUT (3)	926,061 ======= 440,000 102,000 80,514 75,756 59,585 52,533 810,388 ======= 8,689,475 ======= 8,689,475 =========	78%(15) === === 94%(21)
SUBTOTAL/WEIGHTED AVERAGE FOR INDUSTRIAL PROPERT 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) SUBTOTAL FOR DEVELOPMENT PROPERTIES TOTAL/WEIGHTED AVERAGE FOR OFFICE, INDUSTRIAL AN PROPERTIES PROPERTY NAME OFFICE PROPER- TIES: Class A Office	IES Reston, VA Lexington, MA Springfield, VA Springfield, VA Herndon, VA Herndon, VA D DEVELOPMENT BASE RENT PERCENT AS OF BASE 12/31/96(2) RENT	25.0% 100.0 100.0 100.0 100.0 100.0 100.0 0F BAS RENT LEAS SQUA FOOT (1999 1997 1997 1997 1986/97 1985/97 1985/97 	9 === 2 1 1 1 1 1 1 1 1 1 1 1 7 === 72 === NUAL M FECTIV ENT PE LEASED SQUARE OUT (3)	926,061 ======= 440,000 102,000 80,514 75,756 59,585 52,533 810,388 ======= 8,689,475 ======= 8,689,475 =========	78%(15) === === 94%(21)
SUBTOTAL/WEIGHTED AVERAGE FOR INDUSTRIAL PROPERT 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) SUBTOTAL FOR DEVELOPMENT PROPERTIES TOTAL/WEIGHTED AVERAGE FOR OFFICE, INDUSTRIAL AN PROPERTIES PROPERTY NAME 	IES Reston, VA Lexington, MA Springfield, VA Springfield, VA Herndon, VA Herndon, VA D DEVELOPMENT BASE RENT PERCENT AS OF BASE 12/31/96(2) RENT	25.0% 100.0 100.0 100.0 100.0 100.0 100.0 0F BAS RENT LEAS SQUA FOOT (1999 1997 1997 1997 1986/97 1985/97 1985/97 	9 === 2 1 1 1 1 1 1 1 1 1 1 1 7 === 72 === NUAL M FECTIV ENT PE LEASED SQUARE OUT (3)	926,061 ======= 440,000 102,000 80,514 75,756 59,585 52,533 810,388 ======= 8,689,475 ======= 8,689,475 =========	78%(15) === === 94%(21)
SUBTOTAL/WEIGHTED AVERAGE FOR INDUSTRIAL PROPERT 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 FOR DEVELOPMENT PROPERTIES TOTAL/WEIGHTED AVERAGE FOR OFFICE, INDUSTRIAL AN PROPERTIES PROPERTY NAME OFFICE PROPER- TIES: Class A Office Buildings: +*599 Lexington Avenue (4)	IES Reston, VA Lexington, MA Springfield, VA Springfield, VA Herndon, VA Herndon, VA D DEVELOPMENT BASE RENT PERCENT AS OF BASE 12/31/96(2) RENT	25.0% 100.0 100.0 100.0 100.0 100.0 0F BAS RENT 0F LEAS SQUA FOOT(1999 1997 1997 1997 1986/97 1985/97 1985/97 1985/97 E E F PER R ED RE 2) F	9 === 2 1 1 1 1 1 1 1 1 1 1 1 7 === 72 === NUAL M FECTIV ENT PE LEASED SQUARE OUT (3)	926,061 ====================================	78%(15) === === 94%(21)
SUBTOTAL/WEIGHTED AVERAGE FOR INDUSTRIAL PROPERT 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) SUBTOTAL FOR DEVELOPMENT PROPERTIES TOTAL/WEIGHTED AVERAGE FOR OFFICE, INDUSTRIAL AN PROPERTIES PROPERTY NAME OFFICE PROPER- TIES: Class A Office Buildings: +*599 Lexington Avenue (4) +*Two Indepen-	IES Reston, VA Lexington, MA Springfield, VA Springfield, VA Herndon, VA Herndon, VA D DEVELOPMENT BASE RENT PERCENT AS OF BASE 12/31/96(2) RENT	25.0% 100.0 100.0 100.0 100.0 100.0 0F BAS RENT 0F LEAS SQUA FOOT(1999 1997 1997 1997 1986/97 1985/97 1985/97 1985/97 E E F PER R ED RE 2) F	9 === 2 1 1 1 1 1 1 1 1 1 7 === 72 === NUAL M FECTIV ENT PE LEASED SQUARE 00T(3)	926,061 ====================================	78%(15) === === 94%(21)
SUBTOTAL/WEIGHTED AVERAGE FOR INDUSTRIAL PROPERT 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 FOR DEVELOPMENT PROPERTIES TOTAL/WEIGHTED AVERAGE FOR OFFICE, INDUSTRIAL AN PROPERTIES PROPERTY NAME OFFICE PROPER- TIES: Class A Office Buildings: +*599 Lexington Avenue (4)	IES Reston, VA Lexington, MA Springfield, VA Springfield, VA Herndon, VA Herndon, VA D DEVELOPMENT BASE RENT PERCENT AS OF BASE 12/31/96(2) RENT	25.0% 100.0 100.0 100.0 100.0 100.0 0F BAS RENT 0F LEAS SQUA FOOT(1999 1997 1997 1997 1986/97 1985/97 1985/97 1985/97 	9 === 2 1 1 1 1 1 1 1 1 1 7 === 72 === NUAL M FECTIV ENT PE LEASED SQUARE 00T(3)	926,061 ====================================	78%(15) === === 94%(21)
SUBTOTAL/WEIGHTED AVERAGE FOR INDUSTRIAL PROPERT 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) SUBTOTAL FOR DEVELOPMENT PROPERTIES TOTAL/WEIGHTED AVERAGE FOR OFFICE, INDUSTRIAL AN PROPERTIES PROPERTY NAME OFFICE PROPER- TIES: Class A Office Buildings: +*599 Lexington Avenue (4) +*Two Indepen- dence Square (5)	IES Reston, VA Lexington, MA Springfield, VA Springfield, VA Herndon, VA Herndon, VA Herndon, VA D DEVELOPMENT BASE RENT PERCENT AS OF BASE 12/31/96(2) RENT \$ 38,665,140 23.1%	25.0% 100.0 100.0 100.0 100.0 100.0 0F BAS RENT LEAS SQUA FOOT(1999 1997 1997 1997 1986/97 1985/97 1985/97 1985/97 	9 === 2 1 1 1 1 1 1 1 1 1 1 1 1 1 1 1 1 1	926,061 ====================================	78%(15) === === 94%(21)

ter *One Indepen-	13,692,883	8.2	20.95	21.22
dence Square (5)	12,105,720	7.2	35.84	34.34
*Cápital Gal- lery	11,092,260	6.6	30.07	31.11
*2300 N Street US International	10,252,152	6.1	42.05	46.82
Trade Commission				
Building (5)(7)	6,459,444	3.9	26.47	24.79
One Cambridge Center	5,239,716	3.1	24.33	25.57
*Ten Cambridge Center	3,935,676	2.4	25.78	23.11
*10 & 20 Bur- lington Mall				
Road *Newport Office	3,098,496	1.9	20.31	18.45
Park (8) *191 Spring	2,961,323	1.8	18.43	19.86
Street Lexington Office	2,904,192	1.7	17.85	22.26
Park Waltham Office	2,838,660	1.7	18.32	16.97
Center	2,486,256	1.5	19.18	18.54
*Montvale Center (9)	2,078,664	1.2	17.02	18.68
Three Cambridge Center	2,016,324	1.2	18.76	20.45
170 Tracer Lane	1,670,064	1.0	22.80	19.08
195 West Street	1,492,692	0.9	23.51	20.36
*Bedford Busi- ness Park	1,267,992	0.8	14.09	15.78
91 Hartwell Ave- nue	1,318,032	0.8	21.24	19.71
100 Hayden Ave-		0.6		
nue 32 Hartwell Ave-	1,090,524		19.50	18.91
nue 33 Hayden Ave-	995,820	0.6	14.40	12.00
nue 8 Arlington	906,240	0.5	11.39	13.47
Street (10) Eleven Cambridge	863,676	0.5	26.29	34.94
Center 204 Second Ave-	835,968	0.5	10.50	11.90
nue 92 Hayden Ave-	801,732	0.5	19.57	12.00
nue	605,976	0.4	19.56	19.79
SUBTOTAL/WEIGHTED AVERAGE FOR CLASS A OFFICE BUILDINGS(11)	\$152,336,927	91.1%	\$28.18	\$29.70
R&D Properties:		======	=======	======
*Bedford Busi- ness Park	\$ 2,444,280	1.5%	\$ 6.37	\$ 9.18
7601 Boston Boulevard, Building Eight (5)(12) Fourteen Cam-	1,422,972	0.8	13.72	13.85
bridge Center	1,276,512	0.8	18.95	18.47
*Hilltop Busi- ness Center				
(13) 7500 Boston Bou-	1,022,466	0.6	7.08	8.93
levard, Building Six(5)	790,296	0.5	9.88	9.98
7600 Boston Bou- levard, Building				
Nine	722,520	0.4	10.35	10.20
levard, Building One	640 116	0.4	9.01	8.07
8000 Grainger	640,116	0.4	5.01	0.07
Court, Building Five	616,404	0.4	6.81	7.58
7374 Boston Bou- levard, Building				
Four (5) 7451 Boston Bou-	587,220	0.3	10.24	10.14
levard, Building Two	573,672	0.3	12.21	8.14
8000 Corporate Court, Building	-,	-		-
Eleven 7375 Boston Bou-	331,644	0.2	6.31	7.59
levard, Building	216 022	0.2	11.76	7.82
Ten (5)	316,032	0.2		
164 Lexington	200 400		3.12	7.97
Road 17 Hartwell Ave-	200,436	0.1		
Road 17 Hartwell Ave- nue	200,436 198,000	0.1	6.60	6.60
Road 17 Hartwell Ave-	198,000 \$ 11,142,570	0.1 6.6%	6.60 \$8.77	
Road 17 Hartwell Ave- nue SUBTOTAL/WEIGHTED AVERAGE FOR R&D	198,000	0.1 6.6%	6.60	

ERTIES: 38 Cabot Boule-

vard (14)	\$	764,748	0.5%	\$ 4.75	\$ 5.38
6201 Columbia					
Park Road,Building					
Two		575,676	0.4	6.65	6.39
2000 South Club					
Drive, Building					
Three		556,548	0.3	6.66	7.06
40-46 Harvard Street		469,404	0.3	3.09	4.87
25-33 Dartmouth		409,404	0.3	3.09	4.07
Street		464,148	0.3	6.87	7.89
1950 Stanford		,			
Court, Building					
One		354,276	0.2	6.65	6.93
2391 West Winton Avenue		234,000	0.1	3.90	2.81
560 Forbes Bou-		234,000	0.1	3.90	2.01
levard (13)		216,000	0.1	5.40	5.37
430 Rozzi Place		,			
(13)		98,400	0.1	4.92	5.47
SUBTOTAL/WEIGHTED AVERAGE FOR INDUSTRIAL PROPERTIES	\$ 3	733,200	2.3%	\$ 5.17	\$ 5.27
			======	φ 5.17 ========	φ J.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 FOR DEVELOPMENT PROPERTIES	=====	=======		=========	
TOTAL/WEIGHTED AVERAGE FOR OFFICE,					
INDUSTRIAL AND DEVELOPMENT PROPERTIES	\$167,	212,697	100.0%	\$20.47(21)	\$23.91(21)
	=====	======	======	=======	=======

	LOCATION	PERCENT OWNERSHIP	YEAR BUILT	NUMBER OF BUILDINGS	NUMBER OF ROOMS	SQUARE FOOTAGE	AVERAGE OCCUPANCY	AVERAGE DAILY RATE (ADR)	REVENUE PER AVAILABLE ROOM (REVPAR)(22)	AVERAGE DAILY RATE (ADR)	REVENUE PER AVAILABLE ROOM (REVPAR)(22)
HOTEL PROPER- TIES:											
Long Wharf Marriott(R) Cambridge Center	Boston, MA	100.0%	1982	1	402	420,000	86.0%				
Marriott(R)	Cambridge, MA	100.0	1986	1	431	330,400	82.1				
TOTAL/WEIGHTED AVE	RAGE FOR HOTEL	PROPERTIES	S	2 ===	833 =====	750,400	84.0% ====	\$174.97	\$147.44	\$163.50	\$138.67
	LOCATION	PERCENT	YEAR BUTLT	NUMBER OF BUILDINGS	NUMBER OF SPACES	SQUARE					

YEAR ENDED 12/31/96

YEAR ENDED 12/31/95

	LUCATION		OWNERSHIP	BUILI	BUILDINGS	SPACES	FUUTAGE
GARAGE PROPERTY: Cambridge Center							
North Garage STRUCTURED PARK- ING INCLUDED IN CLASS A OFFICE	Cambridge,	MA	100.0%	1990	1	1,170	332,442
BUILDINGS						4,222	1,260,530
TOTAL FOR GARAGE PROPERTY AND STRUCTURED PARK-							
ING						5,392 =====	1,592,972
TOTAL FOR ALL					75		11 000 047
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) Base Rent represents the annualized fixed monthly base rental amount in effect under each lease executed as of December 31, 1996, excluding monthly tenant pass-throughs of operating and other expenses, and reduced by any rent concessions in effect as of December 31, 1996.
 (3) Annual Net Effective Rent Per Leased Square Foot represents the Base Rent
- (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
- (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
- (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 use completed by the Company on Neverber 25, 1006 is
- (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. Management believes that REVPAR (as defined more fully in the Glossary) is an industry standard measure used to present hotel operating data.

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
		===	====	========

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

MARKET INFORMATION

The Properties are primarily located in twelve submarkets in Greater Boston, Greater Washington, D.C. and New York City.

Greater Boston 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 Company will own Properties in the following six submarkets of Greater Boston: East Cambridge, Route 128 Northwest, Route 128/Massachusetts Turnpike, Route 128 Southwest, Route 128 South and Boston.

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. Within the Greater Washington, D.C. market, the Company will own Properties in the following five submarkets: Southwest Washington, D.C., West End Washington, D.C., Montgomery County, Maryland, Fairfax County, Virginia, and Prince George's County, Maryland.

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. The Company's largest Property is located in the Park Avenue submarket of midtown Manhattan.

For additional information regarding the Company's markets, see "Business and Properties--The Office Properties" and "Business and Properties--The Industrial

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 Base Rent:

	NET RENTABLE SQUARE FEET OF OFFICE AND INDUSTRIAL PROPERTIES											
	NUMBER OF	CLASS A OFFICE	R&D			PERCENT OF						
MARKET/SUBMARKET		BUILDINGS	PROPERTIES	PROPERTIES		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 Lexington, MA	2	152,552			152,552	1.8						
(2) Route 128/MA Turnpike	10	790,957	30,000		820,957	9.4						
Waltham, MA	6	307,390			307,390	3.5						
Route 128 SW												
Westwood, MA Route 128 South	2			247,318	247,318	2.8						
Quincy, MA	1	168,829			168,829	1.9						
Boston	1	30,526			30,526	0.4						
Cubtoto]												
Subtotal GREATER WASHINGTON, D.C.	31	2,095,403	545,206	247,318	2,887,927	33.2						
SW Washington,												
D.C.(3) West End	4	1,557,647			1,557,647	17.9						
Washington, D.C	1	276,906			276,906	3.2						
Montgomery	-	2.0,000			210,000	0.2						
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			110 110		110 110	1.0						
(5) Reston, VA (6)	2 2	440,000	112,118		112,118 440,000	1.3 5.1						
Springfield, VA	2	440,000			440,000	5.1						
(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		4 000 070			4 000 070							
Park Avenue GREATER SAN	1	1,000,070			1,000,070	11.5						
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,			,	,	,							
ΡΑ	1			161,000	161,000	1.9						
ΤΟΤΑΙ		6 172 102	1 601 001	026 061	9 690 475	100 00%						
T0TAL	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 A INDUSTRIAL PROPERT	ND	36	27	9	72							

1996	BASE	RENT	0F	OFFIC	E AND
INDU	JSTRIA	AL PRO	DPE	RTIES	(1)

			INDUSTRIAL P	KUPERILES (1)	
MARKET/SUBMARKET	CLASS A OFFICE BUILDINGS	R&D PROPERTIES	INDUSTRIAL PROPERTIES	TOTAL	PERCENT OF TOTAL
GREATER BOSTON East Cambridge Route 128 NW	\$ 12,027,684	\$ 1,276,512	\$	\$ 13,304,196	8.0%
Bedford, MA	1,267,992	2,444,280		3,712,272	2.2
Billerica, MA		200, 436		200,436	0.1
Burlington, MA Lexington, MA	3,098,496			3,098,496	1.9
(2) Route 128/MA Turnpike	10,659,444	198,000		10,857,444	6.5
Waltham, MA Route 128 SW	6,450,744			6,450,744	3.9
Westwood, MA Route 128 South			933,552	933,552	0.6
Quincy, MA	2,961,323			2,961,323	1.8

Boston	863,676			863,676	0.5
Subtotal GREATER WASHINGTON, D.C. SW Washington,	37,329,359	4,119,228	933,552	42,382,139	25.5
D.C.(3) West End Washington,	50,318,729			50,318,729	30.1
D.C Montgomery County, MD	10,252,152			10,252,152	6.1
Bethesda, MD Gaithersburg, MD	13,692,883			13,692,883	8.2
(4) Fairfax County, VA	2,078,664			2,078,664	1.2
Herndon, VA (5)					
Reston, VA (6) Springfield, VA					
(3)(7) Prince George's County, MD		6,000,876		6,000,876	3.6
Landover, MD			1,486,500	1,486,500	0.9
Subtotal MIDTOWN MANHATTAN	76,342,428	6,000,876	1,486,500	83,829,804	50.1
Park Avenue GREATER SAN FRANCISCO	38,665,140			38,665,140	23.1
Hayward, CA San Francisco,			234,000	234,000	0.1
CA (8)		1,022,466	314,400	1,336,866	0.7
Subtotal BUCKS COUNTY,		1,022,466	548,400	1,570,866	0.8
BUCKS COUNTY, PA			764,748	764,748	0.5
T0TAL				\$167,212,697	
PERCENT OF TOTAL NUMBER OF OFFICE AN		91.1%	6.7%	2.2%	100.0%
INDUSTRIAL PROPERT:		36	27	9	72

- ----

- (1) Base Rent represents the annualized fixed monthly base rental amount in effect under each lease executed as of December 31, 1996, excluding monthly tenant pass-throughs of operating and other expenses, and reduced by any rent concessions in effect as of December 31, 1996.
- (2) Does not include 1996 Base 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 Base 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 by merging 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 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 membermanagers 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.

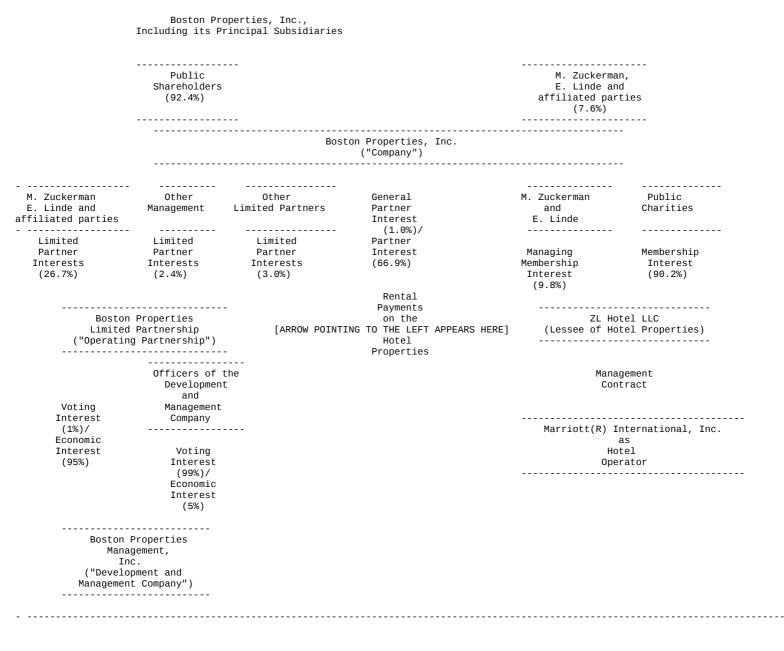
In forming the Company, the Company will succeed to the ownership of each of the Properties or the interests therein based upon a value for such property determined by the Company. The valuation of the Company as a whole has been determined based primarily upon a multiple of estimated funds from operations 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.

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:



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. Other persons who will be officers of the Company at the completion of the Offering will receive 1,186,298 OP Units, with a total value of approximately \$29.7 million based on the assumed initial public offering price, for their interests in the Property Partnerships. In addition, guarantees by Messrs. Zuckerman and Linde with respect to principal repayment of approximately \$92 million of indebtedness will be released because such indebtedness will be repaid at the completion of the Offering. The book value of the interests and assets to be transferred to the Company by Messrs. Zuckerman and Linde and other officers of the Company is approximately negative \$490 million.
- . 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 will continue to guarantee certain indebtedness of the Company. See "Operating Partnership Agreement--Tax Protection Provisions." In addition, 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 when due any indebtedness guaranteed by them.
- . 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 executive and 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 (one year in the case of senior officers who are not executive officers) 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 U.S. Offering International Offering Common Stock Outstanding After the	25, 120, 000
Offering(1) Common Stock and OP Units Outstanding After the	33,983,541
Offering(2)	
Use of Proceeds	To reduce indebtedness and for general corporate and working capital purposes
Proposed NYSE Symbol	

- (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 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 Underwistered currently currently and the state of the current of the state of the current of the state of the stat 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 adjustments and 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 the effect thereof was carried forward through the three month period ended March 31, 1997 and the year ended December 31, 1996, respectively (e.g., certain debt was repaid and no related interest expense thereafter incurred). By necessity, such pro forma operating information incorporates certain assumptions which 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.

		EE MONTHS D MARCH 31,		YEAR ENDED DECEMBER 31,									
		HISTORI	 CAI	HISTORICAL									
	PRO FORMA 1997	1997		PRO FORMA 1996	1996	1995	1994	1993	1992				
			(IN T	HOUSANDS, E	XCEPT PER SH	ARE 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)	φ 32,343 	12,796	11,483		65,678	61,320	58,436	54,788	52,682				
Fee and other in- come (2)	1,851	2,257	2,310	7,615	9,249	8,140	8,922	7,997	11,160				
Total revenues	54,196	63,455	66,699	226,030	269,933	248,725	244,083	245,561	241,212				
Expenses: Property expenses													
(2) Hotel expenses	14,774	14,005	14,306	61,462	58,195	55,421	53,239	54,766	49,621				
(1) General and admin-		10,001	8,835		46,734	44,018	42,753	40,286	38,957				
istrative	2,876	2,667	2,633	11,588	10,754	10,372	10,123	9,549	9,331				
Interest Real estate	13,488	27,309	26,861	54,418	107,121	106,952	95,331	88,510	90,443				
depreciation and				/									
amortization Other depreciation	8,885	8,712	8,581	36,334	35,643	33,240	32,509	32,300	34,221				
and amortization	441	539	638	2,098	2,829	2,429	2,545	2,673	2,255				
Total expenses	40,464	63,233	61,854	165,900	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 Extraordinary item	13,606	96	4,788	59,746	8,273	(3,983)	7,171	17,086	16,010				
loss on early													
extinguishment of debt					(994)								
Minority interest in Operating													
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													
Weighted average	\$.27			\$ 1.19									
number of shares													
outstanding Weighted average	33,984			33,984									
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 Cash and cash equiva-	808,116	776,133			771,660	773,810	770,763	789,234	811,815				
lents	7,087	2,980			8,998	25,867	46,289	50,697	28,841				
Total assets Total indebtedness	920,479 739,226	900,063 1,446,645			896,511 1,442,476	922,786 1,401,408	940,155 1,413,331	961,715 1,426,882	971,648 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		0 700				20 151	20 560	40 040	E0 007				
(5) Company's Funds from	22,469	8,786	5,843	88,482	36,318	29,151	39,568	49,240	50,097				
Operations (67.9% share)	15,256			60,079									
Ratio or deficiency of earnings to fixed	, - ,												
charges (ð)	1.61	. 99	1.17	1.71	1.06	0.95	1.07	1.19	1.17				
Cash flow provided by operating activities													

(7) Cash flow used in in-	\$ 22,910	\$ 1,823	\$13,751	\$ 98,083	\$ 53,804	\$ 30,933	\$ 47,566	\$ 59,834	\$ 50,468
vesting activities (8) Cash flow provided by	(2,799)	(12,611)	(3,412)	(11,195)	(23,689)	(36,844)	(18,424)	(9,437)	(48,257)
(used in) financing activities (9)	(21,255)	4,770	(6,590)	(85,021)	(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
- (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.

(4) EBITDA means operating income before mortgage and other interest, income taxes, depreciation and amortization. The Company believes EBITDA is useful to investors as an indicator of the Company's ability to service debt or pay cash distributions. EBITDA, as calculated by the Company, is not comparable to EBITDA reported by other REITs that do not define EBITDA exactly as the Company defines that term. EBITDA should not be considered as an alternative to operating income or net income (determined in accordance with GAAP) as an indicator of operating performance or as an alternative to cash flows from operating activities (determined in accordance with a GAAP) as an indicator of liquidity and other combined or consolidated income or cash flow statement data (determined in accordance with GAAP). EBITDA for the respective periods is calculated as follows:

		EE MONTHS D MARCH 3	1,	YEAR ENDED DECEMBER 31,						
	PRO FORMA	HISTOR	ICAL	HISTORICAL PRO FORMA						
	1997	1997	1996	1996	1996	1995	1994	1993	1992	
EBITDA Income (loss) before minority interests and										
extraordinary item Add:	13,732	\$ 222	\$ 4,845	60,130	\$ 8,657	\$ (3,707)	\$ 7,583	\$ 17,477	\$ 16,384	
Real estate deprecia- tion and amortiza-	13,488	27,309	26,861	54,418	107,121	106,952	95,331	88,510	90,443	
tion Other depreciation and		8,712	8,581	36,334	35,643	33,240	32,509	32,300	34,221	
amortization Less: Minority combined		539	638	2,098	2,829	2,429	2,545	2,673	2,255	
partnership's share of EBITDA	(206)	(206)	(138)	(684)	(684)	(593)	(699)	(699)	(676)	
EBITDA	\$36,340 ======	\$36,576 ======	\$40,787 ======	\$152,296 ======	\$153,566 ======	\$138,321 ======	\$137,269 ======	\$140,261 ======	\$142,627 ======	

(5) The White Paper defines Funds from Operations as net income (loss) (computed in accordance with GAAP), excluding gains (or losses) from debt restructuring and sales of property, plus real estate related depreciation and amortization and after adjustments for unconsolidated partnerships and joint ventures. Management believes Funds from Operations is helpful to investors as a measure of the performance of an equity REIT because, along with cash flows from operating activities, financing activities and investing activities, it provides investors with an understanding of the ability of the Company to incur and service debt and make capital expenditures. The Company computes Funds from Operations in accordance with standards established by the White Paper, which may differ from the methodology for calculating Funds from Operations utilized by other equity REITs, and, accordingly, may not be comparable to such other REITs. Further, Funds from Operations does not represent amounts available for management's discretionary use because of needed capital replacement or expansion, debt service obligations, or other commitments and uncertainties. The Company believes that in order to facilitate a clear understanding of the combined historical operating results of the Properties and the Company, Funds from Operations should be examined in conjunction with the income (loss) as presented in the audited combined financial statements and information included elsewhere in this Prospectus. Funds from Operations should not be considered as an alternative to net income (determined in accordance with GAAP) as an indication of the Company's financial performance or to cash flows from operating activities (determined in accordance with GAAP) as a measure of the Company's liquidity, nor is it indicative of funds available to fund the Company's cash needs, including its ability to make distributions.

		E MONTHS MARCH 3:	1,	YEAR ENDED DECEMBER 31,						
		HISTORICAL PRO FORMA PI 1997 1997 1996				HISTORICAL				
				PRO FORMA 1996	1996	1995	1994	1993	1992	
<pre>FUNDS FROM OPERATIONS Income (loss) before minority interests and extraordinary item Add: Real estate depreciation and amortization Less: Minority combined partnership's share</pre>	\$13,732 8,885	\$222 8,712	\$4,845 8,581	\$60,130 36,334	\$ 8,657 35,643	\$(3,707) 33,240	\$ 7,583 32,509	\$17,477 32,300	\$16,384 34,221	
of Funds from Operations Non-recurring item significant lease	(148)	(148)	(80)	(479)	(479)	(382)	(524)	(537)	(508)	
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
	======	======	=====	======	======	======	======	======	======

(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, earnings include net income before extraordinary item plus interest expense, amortization of interest previously capitalized, and amortization of financing costs. Fixed charges include all interest costs consisting of interest expense, interest capitalized, and amortization of financing costs.
- (7) Pro forma cash flow from operating activities represents pro forma income before minority interests and extraordinary item plus depreciation and amortization. The pro forma amounts do not include the results from changes in working capital resulting from changes in current assets and current liabilities.
- (8) Pro forma cash flow used in investing activities represents an estimate for the three and twelve months subsequent to the Offering for tenant improvements and leasing commissions, capital expenditures at the Office and Industrial Properties and for the funding of the hotel escrow accounts for hotel related capital expenditures.
- (9) Pro forma cash flow used in financing activities represents estimated mortgage loan principal payments and estimated dividends and distributions (based upon an initial annual distribution of \$1.62 per share/unit) for the three and twelve months subsequent to the Offering.

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

THE COMPANY'S INVESTMENTS IN PROPERTY DEVELOPMENT MAY NOT YIELD EXPECTED RETURNS

The Company intends to pursue the development of office, industrial and hotel properties, both for the Company's ownership and on a third-party feefor-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.

THE COMPANY MAY NOT ACHIEVE EXPECTED RETURNS ON PROPERTY ACQUISITIONS

The Company intends 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. There can be no assurance that the Company will be able to assimilate acquisitions of properties, and in particular acquisitions of portfolios of properties, or achieve the Company's intended return on investment.

CONFLICTS OF INTEREST EXIST BETWEEN THE COMPANY AND MESSRS. ZUCKERMAN AND LINDE IN CONNECTION WITH THE FORMATION AND OPERATION OF THE COMPANY

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 26.7% 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. The benefits or rights to be received by Messrs. Zuckerman and Linde that will not generally be received by other participants are as follows: certain indebtedness guaranteed by Messrs. Zuckerman and Linde will be repaid; the Company will indemnify Messrs. Zuckerman and Linde should they incur certain losses in connection with an obligation to repay indebtedness, or to fulfill obligations, assumed by the Operating Partnership in connection with the Offering; Messrs. Zuckerman and Linde will in the aggregate own approximately 7.6% of the outstanding Common Stock of the Company; Messrs. Zuckerman and Linde will serve as directors following the Offering and as officers with the titles Chairman of the Board and President and Chief Executive officer, respectively; Mr. Linde will have an employment agreement with the Company; for a period of ten years following the Offering, the Operating Partnership may not sell any of four particular properties (or a successor property acquired in a like-kind exchange for such a property) in a taxable transaction (i.e., this restriction will not apply to "like-kind" exchanges under Section 1031 of the Code) without the consent of Messrs. Zuckerman and Linde unless each of Messrs. Zuckerman and Linde no longer continue to hold at least 30% of his original OP Units; and Messrs. Zuckerman and Linde will have the opportunity to guarantee indebtedness of the Company (which will help them defer the recognition of taxable gains). 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 Mr. Linde's employment agreement and Mr. Zuckerman's non-compete agreement 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."

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. Messrs. Zuckerman and Linde in particular have national reputations which aid the Company in negotiations with lenders and in having investment opportunities brought to the Company. The other executive officers of the Company who serve as Managers of the Company's offices (Messrs. Burke, Ritchey, Barrett and Selsam) have strong regional reputations which aid the Company in identifying opportunities, or having opportunities brought to the Company, and in negotiating with tenants or build-to-suit prospects. 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 in that the extent and nature of the Company's relationships with lenders and prospective tenants and with persons in the industry who may have access to investment opportunities would be diminished. While Mr. Linde and the other executive officers will have employment agreements with the Company pursuant to which they will agree to devote substantially all of their 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 they will remain with the Company for any specified term. Mr. Zuckerman, who 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, will not have an employment agreement with the Company and will serve as a non-executive officer of the Company with the title "Chairman of the Board of Directors." Mr. Zuckerman has historically devoted a significant portion of his business time to the affairs of the Company, although over the last twenty years less than a majority of his business time, in the aggregate, has been spent on the Company's affairs. Although Mr. Zuckerman cannot assure the Company that he will continue to devote any specific portion of his time to the Company and has therefore declined to enter into an employment agreement with the Company, Mr. Zuckerman has no present commitments inconsistent with his current level of involvement with the Company. See "Management--Employment and Noncompetition Agreements.

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-byproperty 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 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."

THE COMPANY HAS HAD HISTORICAL ACCOUNTING LOSSES AND HAS A DEFICIT IN OWNERS' EQUITY; THE COMPANY MAY EXPERIENCE FUTURE LOSSES

After depreciation and amortization, the Company 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 million 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'S PERFORMANCE AND VALUE ARE SUBJECT TO RISKS ASSOCIATED WITH THE REAL ESTATE INDUSTRY

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 midtown Manhattan 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 impact the ability of tenants to 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 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 available for distribution to stockholders.

THE COMPANY'S USE OF DEBT TO FINANCE ACQUISITIONS AND DEVELOPMENTS COULD ADVERSELY AFFECT THE COMPANY $% \left({\left({{{\rm{CMP}}} \right)_{\rm{COMP}}} \right)$

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 WOULD CAUSE THE COMPANY TO BE TAXED AS A CORPORATION

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."

THE ABILITY OF STOCKHOLDERS TO CONTROL THE POLICIES OF THE COMPANY AND EFFECT A CHANGE OF CONTROL OF THE COMPANY IS LIMITED

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.

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 (although in the case of acquisitions that are material, the Company will, as required by federal securities law, provide financial information regarding the acquisition in public filings.)

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 thenprevailing 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 Agreement could inhibit changes in control. The Company has adopted a Shareholder Rights Agreement. Under the terms of the Shareholder Rights Agreement, in general, if a person or group acquires more than 15% of the outstanding shares of Common Stock (an "Acquiring Person"), all other Stockholders will have the right to purchase securities from the Company at a discount to such securities' fair market value, thus causing substantial dilution to the Acquiring Person. The Shareholder Rights Agreement 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. In addition, since the Board of Directors of the Company can prevent the Shareholder Rights Agreement from operating in the event the Board approves of an Acquiring Person, the Shareholder Rights Agreement gives the Board significant discretion over whether a potential acquiror's efforts to acquire a large interest in the Company will be successful. Because the Shareholder Rights Agreement contains provisions that are designed to assure that Messrs. Zuckerman and Linde and their affiliates will never, alone, be considered a group that is an Acquiring Person, and because the Shareholder Rights Agreement contains provisions to assure that persons with an interest in the Operating Partnership at the completion of the Offering can maintain their percentage interest in the Company (assuming exchange of all OP Units for Common Stock) without becoming an Acquiring Person, the Shareholder Rights Agreement provides Messrs. Zuckerman and Linde with certain advantages under the Shareholder Rights Agreement that are not available to other stockholders. 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 thenprevailing 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.

LACK OF A PRIOR MARKET, INTEREST RATES, EQUITY MARKET CONDITIONS, AND SHARES AVAILABLE FOR FUTURE SALE 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 Agreement--Redemption of OP Units. Messis. Zuckerman and Linde and the other executive and 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 (one year in the case of senior officers who are not executive officers) 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.

PURCHASERS OF COMMON STOCK IN THE OFFERING WILL EXPERIENCE IMMEDIATE AND SUBSTANTIAL BOOK VALUE 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."

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 Company's rental revenues. 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 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. 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 to tenants. 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.

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 Westbrock. This joint venture, if consummated, will be for the construction of a 370,000 square foot office building, of which 60% is precommitted 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 Westbrock 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 wellpositioned 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 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 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; and (v) approximately 1.5 million to establish the Unsecured Line of Credit. In addition, approximately 57.7 million that will be drawn under the Unsecured Line of Credit upon the completion of the offering will be used as follows: (x) approximately \$42.8 million will be used to repay notes due Messrs. Zuckerman and Linde (the "Development Loan") in respect of loans advanced by them to the entities that, prior to the Offering, own the Development Properties and certain parcels of land, 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 of development); and (y) approximately \$14.9 million (net of \$6.8 million of assumed debt) will be used to acquire the Newport Office Park property. 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 \$110.4 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:

PROPERTY	MATURITY(1)		INTEREST RATE(1)	
599 Lexington Avenue Cambridge Center Marriott, One and Three	July 19, 2005		8.000%	\$185,000,000
Cambridge Center	June 30, 1997	LIBOR +	1.375(3)	125,000,000
Democracy Center	July 24, 1998	LIBOR +	1.200(3)	109,500,000
Long Wharf Marriott(R) The U.S. International Trade Commission	June 28, 1997	LIBOR +	0.700(3)	68,600,000
Building	July 11, 1998		7.350	50,000,000
2300 N Street Lexington Office Park	August 3, 1998 June 30, 2001	LIBOR +	9.170 1.000(3)	34,000,000 15,176,028
Waltham Office Center	October 1, 1997	LIDUK +	9.500	11,389,018
Eleven Cambridge	,			
Center 7601 Boston Boulevard,	October 1, 1997		9.500	8,318,626
Building Eight 10 and 20 Burlington	August 15, 1997	LIBOR +	1.250(3)	8,160,000
Mall Road(4) 8000 Grainger Court,	July 1, 2001		8.330	8,000,000
Building Five Fourteen Cambridge	August 15, 1997	LIBOR +	1.250(3)	7,470,000
Center	March 24, 2001	LIBOR +	1.750(3)	6,699,820
7500 Boston Boulevard, Building Six	August 15, 1997	LIBOR +	1.250(3)	6,277,500
195 West Street	June 19, 1999	LIBOR +	1.750(3)	5,700,066
7600 Boston Boulevard, Building Nine	August 15, 1997	LIBOR +	1.250(3)	5,649,750
7435 Boston Boulevard,	,	LIDOR		
Building One 40-46 Harvard Street	October 1, 1997	LIBOR +	9.500	5,564,116
170 Tracer Lane	June 30, 2001 October 1, 1997	LIBUR +	1.000(3) 9.500	5,310,733 5,145,947
6201 Columbia Park Road,	00100001 1, 1997		9.500	5,145,947
Building Two	August 15, 1997	LIBOR +	1.250(3)	4,896,000
8 Arlington Street	June 30, 2001	LIBOR +	1.000(3)	4,552,058
32 Hartwell Avenue 7374 Boston Boulevard,	October 1, 1997		9.500	4,163,697
Building Four 2000 South Club Drive,	October 1, 1997		9.500	3,567,569
Building Three	August 15, 1997	LIBOR +	1.250(3)	3,452,250
204 Second Avenue	October 1, 1997		9.500	3,286,902
25-33 Dartmouth Street	October 1, 1997		9.500	3,249,633
1950 Stanford Court,				
Building One 7451 Boston Boulevard,	August 15, 1997	LIBOR +	1.250(3)	2,594,500
Building Two	October 1, 1997		9.500	2,183,375
164 Lexington Road 2391 West Winton	November 30, 2000		7.800	1,951,797
Avenue	March 20, 2006		9.875	1,309,837
17 Hartwell Avenue	October 1, 1997		9.500	912,845
Total				\$707,082,067
				============

(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 7.50% and a weighted average maturity of approximately 3.1 years as of December 31, 1996. Repayment amounts assume that the indebtedness was repaid on June 1, 1997. Exact repayment amounts may differ due to amortization. Repayment amounts exclude prepayment amounts may differ 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 Company's intended initial annual distribution is based on an estimate of the cash flow that will be available to it for distributions for the 12month period following completion of the Offering. This estimate is based on pro forma cash flows provided by operations for the twelve months ended March 31, 1997, as adjusted for certain events and contractual commitments that are not reflected in the Company's historical or pro forma financial statements, but without giving effect to any changes in working capital resulting from changes in current assets and current liabilities (which are not anticipated to be material) or the amount of cash estimated to be used for (i) investing activities for development, acquisition and tenant improvement and leasing costs and (ii) financing activities for principal repayments and interest thereon (other than for existing indebtedness). The Company anticipates that, except as reflected in the table below and the notes thereto, investing and financing activities will not have a material effect on estimated cash available for distribution. The Company's estimated pro forma cash flows from operating activities determined in accordance with generally accepted accounting principles is substantially equivalent to estimated pro forma Funds from Operations, as adjusted for the items set forth in the table below. The calculation of adjustments to pro forma Funds from Operations is being made solely for the purpose of setting the initial distribution amount and is not intended to be a projection or prediction of the Company's actual results of operations nor is the methodology upon which such adjustments are made intended to be a basis for determining future distributions. Future distributions by the Company will be at the discretion of the Board of Directors. There can be no assurance that any distributions will be made nor that the expected level of distributions will be maintained by the Company.

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' overallotment 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 Less: Non-recurring itemlease termination fee Less: Minority combined partnership's share of funds from	\$60,130 (7,503)
operations	(479)
year ended December 31, 1996	36,334
Pro forma Funds from Operations for the year ended December 31, 1996 (1)Less: Pro forma funds from operations for the three months ended	88,482
March 31, 1996 Plus: Pro forma funds from operations for the three months ended	(19,587)
March 31, 1997	22,469
Pro forma Funds from Operations for the twelve months ended March 31,	
1997 Net increases in contractual rent income (2)	91,364 7,396
Provision for lease expirations, assuming no renewals (3) Net contractual income from leases signed from new developments	(2,881)
(4)Net effect of decrease in interest income and interest expense	2,079
(5)	(11)
Estimated adjusted pro forma Funds from Operations for the twelve	
months ending March 31, 1998Net effect of straight-line rents (6)	97,947 549
Pro forma non-real estate amortization for the twelve months ended March 31, 1997 (7)	2,087
Estimated pro forma Cash Flows from Operating Activities for the twelve months ending March 31, 1998	100,583
Scheduled mortgage loan principal payments (8) Estimated annual provision for tenant improvements and leasing	(3,940)
commissions (9) Estimated annual provision for capital expendituresoffice and	(5,996)
industrial properties (10) Estimated annual provision for capital expenditureshotels (11)	(1,642) (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	#FO 010
(12)	\$58,019 ======
Minority interest's share of estimated Cash Available for Distribution	¢27 420
DISTI IDULIOII	\$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) The White Paper defines Funds from Operations as net income (loss) (computed in accordance with GAAP), excluding gains (or losses) from debt restructuring and sales of property, plus real estate related depreciation and amortization and after adjustments for unconsolidated partnerships and joint ventures. Management believes Funds from Operations is helpful to investors as a measure of the performance of an equity REIT because, along with cash flows from operating activities, financing activities and investing activities, it provides investors with an understanding of the ability of the Company to incur and service debt and make capital expenditures. The Company computes Funds from Operations in accordance with standards established by the White Paper, which may differ from the methodology for calculating Funds from Operations utilized by other equity REITs, and, accordingly, may not be comparable to such other REITs. Further, Funds from Operations does not represent amounts available for management's discretionary use because of needed capital replacement or $\ensuremath{\mathsf{expansion}},\ensuremath{\mathsf{debt}}$ service obligations, or other commitments and uncertainties. Funds from Operations should not be considered as an alternative to net income (determined in accordance with GAAP) as an indication of the Company's financial performance or to cash flows from operating activities (determined in accordance with GAAP) as a measure of the Company's liquidity, nor is it indicative of funds available to fund the Company's cash needs, including its ability to make distributions. 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 FO THREE MO ENDED 1 31	ONTHS MARCH
	1997	1996
Pro forma income before minority interest Less: Non-recurring itemlease termination fee Less: Minority combined partnership share of funds from	,	'
operations Plus: Pro forma real estate depreciation and	(148)	(80)
amortizaton	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, as well as the effect of approximately \$2.2 million of anticipated rental revenue from hotel net leases in place at the closing date, based upon the 1997 original hotel budgets prepared by Marriott(R), the independent manager of such hotels.
- (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, 1998 from four of the seven Development Properties 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,					WETCHTED	
					1996		
Recurring Tenant improvements and lease commissions per square foot Average annual square feet for which leases expire during years ending December 31, 1997 through December	\$6.74	\$5.59	\$6.51	\$7.77	\$10.25	\$	7.67
31, 2001 Total estimated annual recurring capitalized tenant improvements and						78	1,767
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.
- 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 THO	USANDS)
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
<pre>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</pre>		
pro forma basis (2)		340
Additional Paid-in Capital Owners' Equity (Deficiency)		102,963
Total Stockholders' Equity (Deficiency)	(575,694)	103,303
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, (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 Deficiency in tangible book value per share pri			\$25.00
the Offering(1) Increase in net tangible book value per share		\$(32.42)	
attributable to the Offering(2)		\$ 35.15	
<pre>Pro forma net tangible book value after the Offering(3)</pre>			\$ 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 ST OP UNITS 1	TOCK/	CASH/BOOK VA TO THE COM CONTRIBUTIO	PANY	PURCHASE PRICE/BOOK VALUE OF AVG. CONTRIBUTION		
	SHARES	PERCENT	\$	PERCENT	PER SHARE/UNIT		
	(IN THOUS	SANDS, EXCE	EPT PERCENTAG	ES)			
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 adjustments and 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 the effect thereof was carried forward through the three month period ended March 31, 1997 and the year ended December 31, 1996, respectively (e.g., certain debt was repaid and no related interest expense thereafter incurred). By necessity, such pro forma operating information incorporates certain assumptions which 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.

	THREE MONTHS ENDED MARCH 31, HISTORICAL				YEAR ENDED DECEMBER 31,					
				HISTORICAL						
	PRO FORMA 1997	1997	1996	PRO FORMA 1996	1996	1995	1994	1993	1992	
			(IN T	HOUSANDS, E	EXCEPT PER SH	ARE DATA)				
OPERATING DATA: Revenues:										
Rental revenue (1) Hotel revenue (1) Fee and other income	\$ 52,345 	\$ 48,402 12,796	\$52,906 11,483	\$218,415 	\$ 195,006 65,678	\$ 179,265 61,320	\$ 176,725 58,436	\$ 182,776 54,788	\$ 177,370 52,682	
(2)	1,851	2,257	2,310	7,615	9,249	8,140	8,922	7,997	11,160	
Total revenues Expenses:	54,196	63,455	66,699	226,030	269,933	248,725	244,083	245,561	241,212	
Property expenses (2) Hotel expenses (1) General and adminis-	14,774	14,005 10,001	14,306 8,835	61,462	58,195 46,734	55,421 44,018	53,239 42,753	54,766 40,286	49,621 38,957	
trative Interest Real estate	2,876 13,488	2,667 27,309	2,633 26,861	11,588 54,418	10,754 107,121	10,372 106,952	10,123 95,331	9,549 88,510	9,331 90,443	
depreciation and amortization Other depreciation and	8,885	8,712	8,581	36,334	35,643	33,240	32,509	32,300	34,221	
amortization	441	539	638	2,098	2,829	2,429	2,545	2,673	2,255	
Total expenses Income (loss) before extraordinary item and	40,464	63,233	61,854	165,900	261,276	252,432	236,500	228,084	224,828	
minority interest in combined partnership Minority interest in	13,732	222	4,845	60,130	8,657	(3,707)	7,583	17,477	16,384	
combined partnership	(126)	(126)	(57)	(384)	(384)	(276)	(412)	(391)	(374)	
Income (loss) before extraordinary item Extraordinary itemloss on early extinguishment	13,606	96	4,788	59,746	8,273	(3,983)	7,171	17,086	16,010	
of debt Minority interest in Op- erating					(994)					
Partnership (3)	(4,368)			(19,178)						
Net income (loss)	\$9,238	\$ 96	\$ 4,788	\$ 40,568	\$ 7,279	\$ (3,983)		\$ 17,086	\$ 16,010	
Net income per share	======== \$.27			======= \$ 1.19						
Weighted average number of shares outstanding Weighted average number of shares and OP Units	33,984			33,984						
outstanding BALANCE SHEET DATA, AT PERIOD END: Real estate, before	50,050			50,050						
accumulated depreciation Real estate, after accumulated	\$1,080,193	\$1,048,210			\$1,035,571	\$1,012,324	\$ 984,853	\$ 983,751	\$ 982,348	
depreciation Cash and cash equiva-	808,116	776,133			771,660	773,810	770,763	789,234	811,815	
lents Total assets	7,087 920,479	2,980 900,063			8,998 896,511	25,867 922,786	46,289 940,155	50,697 961,715	28,841 971,648	
Total indebtedness Stockholders' or owners'	739,226	1,446,645			1,442,476	1,401,408	1,413,331	1,426,882	1,417,940	
equity (deficiency) OTHER DATA: EBITDA (4)	103,303 \$ 36,340	(575,694) \$ 36,576		 \$152,296	(576,632) \$ 153,566	(506,653) \$ 138,321	(502,230)	(495,104) \$ 140,261	(480,398) \$ 142,627	
Company's EBITDA (67.9%		,								
Share) Funds from Operations (5)	24,675 22,469	\$ 8,786	 \$ 5,843	103,409 \$ 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 or deficiency of earnings to fixed charges (6)	1.61	.99	1.17	1.71	1.06	0.95	1.07	1.19	1.17	
Cash flow provided by operating activities	\$ 22,910	\$ 1,823	\$13,751	\$ 98,083	\$ 53,804		\$ 47,566	\$ 59,834	\$ 50,468	
Cash flow used in in- vesting activities Cash flow provided by	(2,799)	(12,611)	(3,412)	(11,195)	(23,689)	(36,844)	(18,424)	(9,437)	(48,257)	
(used in) financing activities	(21,255)	4,770	(6,590)	(85,021)	(46,984)	(14,511)	(33,550)	(28,540)	1,365	

 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.

(4) EBITDA means operating income before mortgage and other interest, income taxes, depreciation and amortization. The Company believes EBITDA is useful to investors as an indicator of the Company's ability to service debt or pay cash distributions. EBITDA, as calculated by the Company, is not comparable to EBITDA reported by other REITs that do not define EBITDA exactly as the Company defines that term. EBITDA should not be considered as an alternative to operating income or net income (determined in accordance with GAAP) as an indicator of operating performance or as an alternative to cash flows from operating activities (determined in accordance with a GAAP) as an indicator of liquidity and other combined or consolidated income or cash flow statement data (determined in accordance with GAAP). EBITDA for the respective periods is calculated as follows:

	THREE MON	THS ENDED 31,	MARCH	YEAR ENDED DECEMBER 31,						
	HISTORICAL PRO FORMA			PRO FORMA						
	1997	1997	1996	1996	1996	1995	1994	1993	1992	
EBITDA Income (loss) before										
minority interests and extraordinary item Add:	\$13,732	\$ 222	\$ 4,845	\$ 60,130	\$ 8,657	\$ (3,707)	\$ 7,583	\$ 17,477	\$ 16,384	
Interest expense Real estate deprecia- tion and amortiza-	13,488	27,309	26,861	54,418	107,121	106,952	95,331	88,510	90,443	
tion Other depreciation and	8,885	8,712	8,581	36,334	35,643	33,240	32,509	32,300	34,221	
amortization Less:	441	539	638	2,098	2,829	2,429	2,545	2,673	2,255	
Minority combined partnership's share of EBITDA	(206)	(206)	(138)	(684)	(684)	(593)	(699)	(699)	(676)	
EBITDA	\$36,340 ======	\$36,576 =====	\$40,787 ======	\$152,296 ======	\$153,566 ======	\$138,321 ======	\$137,269 ======	\$140,261 ======	\$142,627 ======	

(5) The White Paper defines Funds from Operations as net income (loss) (computed in accordance with GAAP), excluding gains (or losses) from debt restructuring and sales of property, plus real estate related depreciation and amortization and after adjustments for unconsolidated partnerships and joint ventures. Management believes Funds from Operations is helpful to investors as a measure of the performance of an equity REIT because, along with cash flows from operating activities, financing activities and investing activities, it provides investors with an understanding of the ability of the Company to incur and service debt and make capital expenditures. The Company computes Funds from Operations in accordance with standards established by the White Paper, which may differ from the methodology for calculating Funds from Operations utilized by other equity REITs, and, accordingly, may not be comparable to such other REITs. Further, Funds from Operations does not represent amounts available for management's discretionary use because of needed capital replacement or expansion, debt service obligations, or other commitments and uncertainties. The Company believes that in order to facilitate a clear understanding of the combined historical operating results of the Properties and the Company, Funds from Operations should be examined in conjunction with the income (loss) as presented in the audited combined financial statements and information included elsewhere in this Prospectus. Funds from Operations should not be considered as an alternative to net income (determined in accordance with GAAP) as an indication of the Company's financial performance or to cash flows from operating activities (determined in accordance with GAAP) as a measure of the Company's liquidity, nor is it indicative of funds available to fund the Company's cash needs, including its ability to make distributions.

		ONTHS EN RCH 31,	DED	YEAR ENDED DECEMBER 31,						
	HISTORICAL PRO FORMA			PRO FORMA						
	1997	1997	1996	1996	1996	1995	1994	1993	1992	
FUNDS FROM OPERATIONS Income (loss) before minority interests and extraordinary item Add: Real estate depreciation and amortization Less: Minority combined partnership's share	\$13,732 8,885	\$222 8,712	\$4,845 8,581	\$60,130 36,334	\$ 8,657 35,643	\$(3,707) 33,240	\$ 7,583 32,509	\$17,477 32,300	\$16,384 34,221	
of Funds from Operations Non-recurring item significant lease	(148)	(148)	(80)		(479)	(382)	(524)	(537)	(508)	
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
	======	======	======	=======	=======	=======	=======	=======	======

(A) Funds from Operations reflects the lease termination fee as nonrecurring.

- (6) For the purpose of calculating the ratio of earnings to fixed charges, earnings include net income before extraordinary item plus interest expense, amortization of interest previously capitalized, and amortization of financing costs. Fixed charges include all interest costs consisting of interest expense, interest capitalized, and amortization of financing costs.
- (7) Pro forma cash flow from operating activities represents pro forma income before minority interests and extraordinary item plus depreciation and amortization. The pro forma amounts do not include the results from changes in working capital resulting from changes in current assets and current liabilities.
- (8) Pro forma cash flow used in investing activities represents an estimate for the three and twelve months subsequent to the Offering for tenant improvements and leasing commissions, capital expenditures at the Office and Industrial Properties and for the funding of the hotel escrow accounts for hotel related capital expenditures.
- (9) Pro forma cash flow used in financing activities represents estimated mortgage loan principal payments and estimated dividends and distributions (based upon an initial annual distribution of \$1.62 per share/unit) for the three and twelve months subsequent to the Offering.

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, 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 had outstanding approximately \$695.3 million of indebtedness secured by each of the Properties as listed below:

PROPERTIES	INTEREST RATE		ANNUAL DEBT SERVICE		ESTIMATED BALANCE AT MATURITY
		()	IN THOUSANDS)	
599 Lexington Avenue Two Independence	7.00%	\$225,000	\$15,750	July 19, 2005	\$225,000(1)
Square One Independence	7.90(2)	122,187	10,767	February 27, 2003	113,844
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 Cen-					
ter	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 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 set attributable to a \$13.9 million decrease in loans payable and financing costs.

FUNDS FROM OPERATIONS

The White Paper defines Funds from Operations as net income (loss) (computed in accordance with GAAP), excluding gains (or losses) from debt restructuring and sales of property, plus real estate related depreciation and amortization and after adjustments for unconsolidated partnerships and joint ventures. Management believes Funds from Operations is helpful to investors as a measure of the performance of an equity REIT because, along with cash flows from operating activities, financing activities and investing activities; it provides investors with an understanding of the ability of the Company to incur and service debt and make capital expenditures. The Company computes Funds from Operations in accordance with standards established by the White Paper, which may differ from the methodology for calculating Funds from Operations utilized by other equity REITs, and, accordingly, may not be comparable to such other REITs. Further, Funds from Operations does not represent amounts available for management's discretionary use because of needed capital replacement or expansion, debt service obligations, or other commitments and uncertainties. Funds from Operations should not be considered as an alternative to net income (determined in accordance with GAAP) as an indication of the Company's financial performance or to cash flows from operating activities (determined in accordance with GAAP) as a measure of the Company's liquidity, nor is it indicative of funds available to fund the Company's cash needs, including its ability to make distributions. 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 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		YEAR(S) BUILT/ RENOVATED(1)	NO. OF BLDGS.	NET RENTABLE SQUARE FEET	PERCENT LEASED AS OF 12/31/96
OFFICE PROPER- TIES: Class A Office Buildings:							
+*599 Lexington Avenue (4) +*Two Indepen-		New York, NY	100.0%	1986	1	1,000,070	97%
dence Square (5) (6)		SW Washington, DC	100.0	1992	1	579,600	100
Democracy Cen- ter		Bethesda, MD	100.0	1985-88/94-96	3	680,000	96
*One Indepen- dence Square (5)		SW Washington, DC	100.0	1991	1	337,794	100
*Capital Gal- lery		SW Washington, DC	100.0	1991	1	396,255	93
*2300 N Street US International Trade	Commission Ruilding	NW Washington, DC	100.0	1981	1	276,906	88
(5)(7) One Cambridge	Commission building	SW Washington, DC	100.0	1987	1	243,998	100
Center *Ten Cambridge		Cambridge, MA	100.0	1987	1	215,385	100
Center *10 & 20 Bur-		Cambridge, MA	100.0	1990	1	152,664	100
lington Mall Road		Burlington, MA	100.0	1984-86/95-96	2	152,552	100
*Newport Office Park (8)		Quincy, MA	100.0	1984-007 93-90	1	168,829	95
*191 Spring Street		Lexington, MA	100.0	1900	1	162,700	100
Lexington Office Park		Lexington, MA	100.0	1971/93	2	168,500	92
Waltham Office Center		Waltham, MA	100.0	1968-70/87-88	3	129,658	100
*Montvale Center (9)		Gaithersburg, MD	75.0	1987	1	129,050	100
Three Cambridge Center		Cambridge, MA	100.0	1987	1	107,484	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 Busi- ness Park		Bedford, MA	100.0	1980	1	90,000	100
91 Hartwell Ave- nue		Lexington, MA	100.0	1985/96	1	122,135	51
100 Hayden Ave-		Lexington, MA	100.0	1903/90		55,924	
nue 32 Hartwell Ave- nue		Lexington, MA	100.0	1968-79/87	1	69,154	100
33 Hayden Ave- nue		Lexington, MA	100.0	1979	1	79,564	100
8 Arlington Street (10)		Boston, MA	100.0	1860/1920/89	1	30,526	100
Eleven Cambridge Center		Cambridge, MA	100.0	1984	1	79,616	100
204 Second Ave- nue		Waltham, MA	100.0	1981/93	1	40,974	100
92 Hayden Ave- nue		Lexington, MA	100.0	1968/84	1	30,980	100
	AGE FOR CLASS A OFFICE BUIL					5,630,183	96%
R&D Properties:					===	=======	===
*Bedford Busi- ness Park 7601 Boston Boulevard,	Building Eight (5)(12)	Bedford, MA Springfield, VA	100.0% 100.0	1962-78/96 1986	2 1	383,704 103,750	100% 100
Fourteen Cam- bridge Center *Hilltop Busi-		Cambridge, MA	100.0	1983	1	67,362	100
ness Center (13) 7500 Boston Bou-		So. San Francisco, CA	35.7	early 1970's	9	144,479	90
levard, Building Six(5) 7600 Boston Bou-		Springfield, VA	100.0	1985	1	79,971	100
levard, Building Nine 7435 Boston Bou-		Springfield, VA	100.0	1987	1	69,832	100
levard, Building One 8000 Grainger		Springfield, VA	100.0	1982	1	105,414	67

8000 Grainger Court, Building

Five	Springfield, VA	100.0	1984	1 90,465	100
7451 Boston Bou- levard, Building	Corringfield VA	100.0	1082	1 47 001	100
Two 7374 Boston Bou- levard, Building	Springfield, VA	100.0	1982	1 47,001	100
Four (5) 8000 Corporate	Springfield, VA	100.0	1984	1 57,321	100
Court, Building Eleven 7375 Boston Bou-	Springfield, VA	100.0	1989	1 52,539	100
levard, Building Ten (5)	Springfield, VA	100.0	1988	1 26,865	100
164 Lexington Road	Billerica, MA	100.0	1982	1 64,140	100
17 Hartwell Ave- nue	Lexington, MA	100.0	1968	1 30,000	100
SUBTOTAL/WEIGHTED AVERAGE FOR R&D PROPERTIES				23 1,322,843 === =======	96% ===
INDUSTRIAL PROP- ERTIES:					
38 Cabot Boule- vard (14) 6201 Columbia	Langhorne, PA	100.0%	1972/84	1 161,000	100%
Park Road,Building Two	Landover, MD	100.0	1986	1 99,885	87
2000 South Club Drive, Building					
Three 40-46 Harvard	Landover, MD	100.0	1988	1 83,608	100
Street 25-33 Dartmouth Street	Westwood, MA	100.0	1967/96	1 169,273	90
Street 1950 Stanford Court, Building	Westwood, MA	100.0	1966/96	1 78,045	87
One	Landover, MD	100.0	1986	1 53,250	100
Avenue	Hayward, CA	100.0	1974	1 221,000	27(15)
levard (13) 430 Rozzi Place	So. San Francisco, CA	35.7	early 1970's	1 40,000	100
(13)	So. San Francisco, CA	35.7	early 1970's	1 20,000	100
SUBTOTAL/WEIGHTED AVERAGE FOR INDUSTRIAL PROPER	RTIES			9 926,061 === ======	78%(15) ===
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,	opringricia, va	100.0	1007	1 00,014	
Building Seven (19) Sugarland	Springfield, VA	100.0	1997	1 75,756	
Building Two (20) Sugarland	Herndon, VA	100.0	1986/97	1 59,585	
Building One (20)	Herndon, VA	100.0	1985/97	1 52,533	
SUBTOTAL FOR DEVELOPMENT PROPERTIES				7 810,388	
TOTAL/WEIGHTED AVERAGE FOR OFFICE, INDUSTRIAL A				72 8,689,475	 94%(21)
				=== ===================================	===
	BASE RENT AS OF PERCENT	BASE RENT PER LEASED OF SQUARE	ANNUAL NET EFFECTIVE RENT PER LEASED SQUARE		
PROPERTY NAME		T FOOT(2)	F00T(3)	-	
OFFICE PROPER- TIES: Class A Office Buildings:					
Buildings: +*599 Lexington Avenue (4)	\$ 38,665,140 23.1%	\$39.74	\$47.13		
+*Two Indépen- dence Square (5)					
(-)					
(6) Democracy Cen-	20,661,305 12.4	35.75	36.80		
Democracy Cen- ter *One Indepen-	20,661,305 12.4 13,692,883 8.2	35.75 20.95	36.80 21.22		
Democracy Cen- ter					

One Cambridge Center	4.79 5.57 3.11 8.45 9.86 2.26 6.97 8.54 8.54 8.68 9.08 9.08 9.08 9.08 9.71 8.91 2.00 3.47 4.94
Center	3.11 8.45 9.86 2.26 6.97 8.54 8.68 0.45 9.08 0.36 5.78 9.71 8.91 2.00 3.47
*Ten Cambridge 3,935,676 2.4 25.78 2 *10 & 20 Bur- 1ington Mall 3,098,496 1.9 20.31 1 Road 3,098,496 1.9 20.31 1 *Newport Office 2,961,323 1.8 18.43 1 *191 Spring 2,904,192 1.7 17.85 2 Exington Office 2,838,660 1.7 18.32 1 Walthan Office 2,486,256 1.5 19.18 1 *Montvale Center 2,078,664 1.2 17.02 1 Three Cambridge 2,016,324 1.2 18.76 2 Center 2,016,324 1.2 18.76 2 170 Tracer 1,670,064 1.0 22.80 1 195 West 1,267,992 0.8 14.09 1 195 West 1,267,992 0.8 14.09 1 194 Hartwell Ave- 1,318,032 0.8 21.24 1 100 Hayden Ave- 1,990,524 0.6 19.50 1 32 Hartwell Ave- 995,82	8.45 9.86 2.26 6.97 8.54 8.68 9.45 9.08 9.36 5.78 9.71 8.91 2.00 3.47
*10 & 20 Bur- lington Mall 3,098,496 1.9 20.31 1 *Newport Office 2,961,323 1.8 18.43 1 *191 Spring 2,904,192 1.7 17.85 2 Street 2,904,192 1.7 17.85 2 Park 2,838,660 1.7 18.32 1 waltham Office 2,486,256 1.5 19.18 1 Ymontvale Center 2,078,664 1.2 17.02 1 (9) 2,016,324 1.2 18.76 2 (70 Tracer 2,016,324 1.2 18.76 2 Lane 1,670,064 1.0 22.80 1 195 West 1,492,692 0.9 23.51 2 Street 1,267,992 0.8 14.09 1 91 Hartwell Ave- 1,318,032 0.8 21.24 1 100 Hayden Ave- 1,090,524 0.6 19.50 1 32 Hartwell Ave- 995,820 0.6 14.40 1 33 Hayden Ave- 996,240 0.5 11.39	8.45 9.86 2.26 6.97 8.54 8.68 9.45 9.08 9.36 5.78 9.71 8.91 2.00 3.47
Road	9.86 2.26 6.97 8.54 8.68 9.08 9.08 9.08 9.71 8.91 2.00 3.47
Park (8) 2,961,323 1.8 18.43 1 *191 Spring 2,904,192 1.7 17.85 2 Lexington Office 2,838,660 1.7 18.32 1 Waltham Office 2,486,256 1.5 19.18 1 *Montvale Center 2,078,664 1.2 17.02 1 (9) 2,016,324 1.2 18.76 2 Three Cambridge 2,016,324 1.2 18.76 2 Center 1,670,064 1.0 22.80 1 195 West 1,492,692 0.9 23.51 2 *Bedford Busi- 1,267,992 0.8 14.09 1 91 Hartwell Ave- 1,318,032 0.8 21.24 1 100 Hayden Ave- 1,090,524 0.6 19.50 1 32 Hartwell Ave- 995,820 0.6 14.40 1 33 Hayden Ave- 906,240 0.5 11.39 1 Rotington 863,676 0.5 26.29 3	2.26 6.97 8.54 8.68 9.45 9.08 9.36 5.78 9.71 8.91 2.00 3.47
Street 2,904,192 1.7 17.85 2 Lexington Office 2,838,660 1.7 18.32 1 Waltham Office 2,838,660 1.7 18.32 1 Waltham Office 2,486,256 1.5 19.18 1 *Montvale Center 2,078,664 1.2 17.02 1 (9) 2,078,664 1.2 17.02 1 Three Cambridge 2,016,324 1.2 18.76 2 Center 2,016,324 1.2 18.76 2 To Tracer 1,670,064 1.0 22.80 1 Lane 1,492,692 0.9 23.51 2 *Bedford Busi- 1,267,992 0.8 14.09 1 nue 1,318,032 0.8 21.24 1 100 Hayden Ave- 1,090,524 0.6 19.50 1 nue 995,820 0.6 14.40 1 33 Hayden Ave- 906,240 0.5 11.39 1 8 Arlington 863,676 0.5 26.29 </td <td>6.97 8.54 8.68 9.45 9.08 0.36 5.78 9.71 8.91 2.00 3.47</td>	6.97 8.54 8.68 9.45 9.08 0.36 5.78 9.71 8.91 2.00 3.47
Park	8.54 8.68 9.08 9.36 5.78 9.71 8.91 2.00 3.47
Center 2,486,256 1.5 19.18 1 *Montvale Center 2,078,664 1.2 17.02 1 Three Cambridge 2,016,324 1.2 18.76 2 Center 2,016,324 1.2 18.76 2 170 Tracer 2,016,324 1.0 22.80 1 Lane 1,670,064 1.0 22.80 1 195 West 1,492,692 0.9 23.51 2 *Bedford Busi- 1,267,992 0.8 14.09 1 ness Park 1,267,992 0.8 14.09 1 91 Hartwell Ave- 1,318,032 0.8 21.24 1 100 Hayden Ave- 1,090,524 0.6 19.50 1 32 Hartwell Ave- 995,820 0.6 14.40 1 33 Hayden Ave- 906,240 0.5 11.39 1 8 Arlington 863,676 0.5 26.29 3	8.68 0.45 9.08 0.36 5.78 9.71 8.91 2.00 3.47
*Montvale Center 2,078,664 1.2 17.02 1 Three Cambridge 2,016,324 1.2 18.76 2 Center 2,016,324 1.2 18.76 2 170 Tracer 1,670,064 1.0 22.80 1 Lane 1,670,064 1.0 22.80 1 195 West 1,492,692 0.9 23.51 2 *Bedford Busi- 1,267,992 0.8 14.09 1 ness Park 1,267,992 0.8 14.09 1 91 Hartwell Ave- 1,318,032 0.8 21.24 1 100 Hayden Ave- 1,090,524 0.6 19.50 1 32 Hartwell Ave- 995,820 0.6 14.40 1 33 Hayden Ave- 906,240 0.5 11.39 1 8 Arlington 8 863,676 0.5 26.29 3	8.68 0.45 9.08 0.36 5.78 9.71 8.91 2.00 3.47
Three Cambridge2,016,3241.218.762Center1,070 Tracer1,070,0641.022.801Lane1,670,0641.022.801195 West1,492,6920.923.512Street1,267,9920.814.09191 Hartwell Ave-1,318,0320.821.241100 Hayden Ave-1,090,5240.619.50132 Hartwell Ave-995,8200.614.40133 Hayden Ave-906,2400.511.3918 Arlington863,6760.526.293	0.45 9.08 0.36 5.78 9.71 8.91 2.00 3.47
170 Tracer 1,670,064 1.0 22.80 1 195 West 1,492,692 0.9 23.51 2 *Bedford Busi- 1,267,992 0.8 14.09 1 ness Park 1,267,992 0.8 14.09 1 91 Hartwell Ave- 1,318,032 0.8 21.24 1 100 Hayden Ave- 1,090,524 0.6 19.50 1 32 Hartwell Ave- 995,820 0.6 14.40 1 33 Hayden Ave- 906,240 0.5 11.39 1 8 Arlington 863,676 0.5 26.29 3	9.08 0.36 5.78 9.71 8.91 2.00 3.47
195 West 1,492,692 0.9 23.51 2 *Bedford Busi- 1,267,992 0.8 14.09 1 ness Park 1,267,992 0.8 14.09 1 91 Hartwell Ave- 1,318,032 0.8 21.24 1 100 Hayden Ave- 1,090,524 0.6 19.50 1 32 Hartwell Ave- 995,820 0.6 14.40 1 33 Hayden Ave- 906,240 0.5 11.39 1 8 Arlington 863,676 0.5 26.29 3	0.36 5.78 9.71 8.91 2.00 3.47
*Bedford Busi- 1,267,992 0.8 14.09 1 91 Hartwell Ave- 1,318,032 0.8 21.24 1 100 Hayden Ave- 1,090,524 0.6 19.50 1 32 Hartwell Ave- 1,090,524 0.6 19.50 1 33 Hayden Ave- 995,820 0.6 14.40 1 33 Hayden Ave- 906,240 0.5 11.39 1 8 Arlington Street (10) 863,676 0.5 26.29 3	5.78 9.71 8.91 2.00 3.47
91 Hartwell Ave- 1,318,032 0.8 21.24 1 100 Hayden Ave- 1,090,524 0.6 19.50 1 32 Hartwell Ave- 995,820 0.6 14.40 1 33 Hayden Ave- 996,240 0.5 11.39 1 8 Arlington 863,676 0.5 26.29 3	9.71 8.91 2.00 3.47
100 Hayden Ave- 1,090,524 0.6 19.50 1 32 Hartwell Ave- 995,820 0.6 14.40 1 33 Hayden Ave- 996,240 0.5 11.39 1 8 Arlington 863,676 0.5 26.29 3	8.91 2.00 3.47
nue 1,090,524 0.6 19.50 1 32 Hartwell Ave- 995,820 0.6 14.40 1 nue 995,820 0.6 14.40 1 33 Hayden Ave- 906,240 0.5 11.39 1 8 Arlington 863,676 0.5 26.29 3	2.00 3.47
nue995,8200.614.40133 Hayden Ave- nue906,2400.511.3918 Arlington Street (10)863,6760.526.293	3.47
nue906,2400.511.3918 Arlington863,6760.526.293	
Street (10) 863,676 0.5 26.29 3	1 0/
Eleven Cambridge	
	1.90
204 Second Ave- 801,732 0.5 19.57 1	2.00
92 Hayden Ave-	9.79
SUBTOTAL/WEIGHTED AVERAGE	
	9.70
R&D Properties: *Bedford Busi-	
ness Park \$ 2,444,280 1.5% \$ 6.37 \$	9.18
Fourteen Cam-	3.85
*Hilltop Busi-	8.47
ness Center (13) 1,022,466 0.6 7.08	8.93
7500 Boston Bou- levard, Building	
Six(5) 790,296 0.5 9.88 7600 Boston Bou-	9.98
levard, Building	0.20
7435 Boston Bou- levard, Building	
One	8.07
8000 Grainger Court, Building	
7451 Boston Bou-	7.58
levard, Building Two	8.14
7374 Boston Bou- levard, Building	
Four (5) 587,220 0.3 10.24 1 8000 Corporate	0.14
Court, Building	7.59
7375 Boston Bou- levard, Building	
	7.82
Road 200,436 0.1 3.12	7.97
	6.60
SUBTOTAL/WEIGHTED AVERAGE	
	9.75 ====
INDUSTRIAL PROP- ERTIES:	
	5.38
6201 Columbia Park	
Road,Building Two	
2000 South Club Drive, Building	6.39
Diricing 556,548 0.3 6.66	

40-46 Harvard				
Street	469,404	0.3	3.09	4.87
25-33 Dartmouth Street	464,148	0.3	6.87	7.89
1950 Stanford Court, Building				
One	354,276	0.2	6.65	6.93
2391 West Winton Avenue	234,000	0.1	3.90	2.81
560 Forbes Bou-	,			
levard (13) 430 Rozzi Place	216,000	0.1	5.40	5.37
(13)	98,400	0.1	4.92	5.47
SUBTOTAL/WEIGHTED AVERAGE				
FOR INDUSTRIAL PROPERTIES	\$ 3,733,200 =========		\$ 5.17 ======	\$ 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 FOR DEVELOPMENT PROPERTIES				
	===========	========		=======
TOTAL/WEIGHTED AVERAGE FOR OFFICE, INDUSTRIAL AND DEVELOPMENT				
PROPERTIES	\$167,212,697		\$20.47(21)	\$23.91(21)

	LOCATION	PERCENT OWNERSHIP	YEAR BUILT	NUMBER OF BUILDINGS	NUMBER OF ROOMS	SQUARE FOOTAGE	AVERAGE OCCUPANCY	DAILY RATE	REVENUE PER AVAILABLE ROOM (REVPAR)(22)	AVERAGE DAILY RATE (ADR)	REVENUE PER AVAILABLE ROOM (REVPAR)(22)	
HOTEL PROPER- TIES: Long Wharf Marriott(R)	Boston, MA	100.0%	1982	1	402	420,000	86.0%					
Cambridge Center Marriott(R)	Cambridge, MA	100.0	1986	1	431	330,400	82.1					
TOTAL/WEIGHTED AVE	RAGE FOR HOTEL	PROPERTIES	S	2	833 =====	750,400	84.0% ====	\$174.97 ======	\$147.44 ======	\$163.50 ======	\$138.67 ======	
				NUMBER	NUMBER							

YEAR ENDED 12/31/96

YEAR ENDED 12/31/95

	LOCATION	PERCENT OWNERSHIP		OF BUILDINGS	OF SPACES	- C -
GARAGE PROPERTY: Cambridge Center North Garage STRUCTURED PARKING INCLUDED IN CLASS A	Cambridge, MA	100.0%	1990	1	1,170	332,442
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) Base Rent represents the annualized fixed monthly base rental amount in effect under each lease executed as of December 31, 1996, excluding monthly tenant pass-throughs of operating and other expenses, and reduced by any rent concessions in effect as of December 31, 1996.
- (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.
- 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
- (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
- (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.
- 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 Provider
- (21) Does not include the Development Properties.
- (22) REVPAR is determined by dividing room revenue by available rooms for the applicable period. Management believes that REVPAR (as defined more fully in the Glossary) is an industry standard measure used to present hotel operating data.

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 Base Rent:

		E SQUARE FEI	SQUARE FEET OF			
		OFF	ICE AND IND	USTRIAL PROP	PERTIES	
	NUMBER OF	CLASS A OFFICE	R&D	INDUSTRIAL		PERCENT OF
MARKET/SUBMARKET	PROPERTIES		PROPERTIES	PROPERTIES	TOTAL	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 Burlington, MA	1 2	 152,552	64,140		64,140 152,552	0.7 1.8
Lexington, MA	10		00.000			
(2) Route 128/MA	10	790,957	30,000		820,957	9.4
Turnpike	6	207 200			207 200	2 5
Waltham, MA Route 128 SW	0	307,390			307,390	3.5
Westwood, MA Route 128 South	2			247,318	247,318	2.8
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,	4	1 667 647			1 667 647	17 0
D.C.(3) West End	4	1,557,647			1,557,647	17.9
Washington, D.C	1	276 006			276 006	3.2
Montgomery	T	276,906			276,906	3.2
County, MD Bethesda, MD	3	680,000			680,000	7.8
Gaithersburg, MD						
(4) Fairfax County,	1	122,157			122,157	1.4
VA						
Herndon, VA (5)	2		112,118		112,118	1.3
Reston, VA (6) Springfield, VA	2	440,000			440,000	5.1
(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	1	1 000 070				11 E
Park Avenue GREATER SAN	1	1,000,070			1,000,070	11.5
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
τοται		6 172 102	1 501 221	026 061	9 690 175	100 00%
T0TAL	72	6,172,183 ======	1,591,231 ======	926,061 ======	8,689,475 =====	100.00% =====
PERCENT OF TOTAL NUMBER OF OFFICE A		71.0%	18.3%	10.7%	100.0%	
INDUSTRIAL PROPERT		36	27	9	72	

1996 BASE RENT OF OFFICE AND INDUSTRIAL PROPERTIES (1)

			INDUSTRIAL P	NOPENTILS (1)	
MARKET/SUBMARKET	CLASS A OFFICE BUILDINGS	R&D PROPERTIES	INDUSTRIAL PROPERTIES	TOTAL	PERCENT OF TOTAL
GREATER BOSTON					
East Cambridge Route 128 NW	\$ 12,027,684	\$ 1,276,512	\$	\$ 13,304,196	8.0%
Bedford, MA	1,267,992	2,444,280		3,712,272	2.2
Billerica, MA		200, 436		200, 436	0.1
Burlington, MA Lexington, MA	3,098,496			3,098,496	1.9
(2) Route 128/MA Turnpike	10,659,444	198,000		10,857,444	6.5
Waltham, MA Route 128 SW	6,450,744			6,450,744	3.9
Westwood, MA Route 128 South			933,552	933,552	0.6

Quincy, MA Boston	2,961,323 863,676			2,961,323 863,676	1.8 0.5
Subtotal GREATER WASHINGTON, D.C. SW Washington,	37,329,359	4,119,228	933,552	42,382,139	25.5
D.C.(3) West End Washington,	50,318,729			50,318,729	30.1
D.C Montgomery County, MD	10,252,152			10,252,152	6.1
Bethesda, MD Gaithersburg, MD	13,692,883			13,692,883	8.2
(4) Fairfax County, VA	2,078,664			2,078,664	1.2
Herndon, VA (5)					
Reston, VA (6) Springfield, VA					
(3)(7) Prince George's County, MD		6,000,876		6,000,876	3.6
Landover, MD			1,486,500	1,486,500	0.9
Subtotal MIDTOWN MANHATTAN	76,342,428	6,000,876	1,486,500	83,829,804	50.1
Park Avenue GREATER SAN FRANCISCO	38,665,140			38,665,140	23.1
Hayward, CA San Francisco,			234,000	234,000	0.1
CA (8)		1,022,466	314,400	1,336,866	0.7
Subtotal		1,022,466	548,400	1,570,866	0.8
BUCKS COUNTY, PA			764,748	764,748	0.5
T0TAL	\$152,336,927		\$3,733,200	\$167,212,697	100.0%
PERCENT OF TOTAL.		91.1%	6.7%	2.2%	100.0%
NUMBER OF OFFICE AN		36	27	9	72

^{- ----}

- (1) Base Rent represents the annualized fixed monthly base rental amount in effect under each lease executed as of December 31, 1996, excluding monthly tenant pass-throughs of operating and other expenses, and reduced by any rent concessions in effect as of December 31, 1996.
- (2) Does not include 1996 Base 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
- (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 Base Rent for two Office Properties currently under development by the Company.(8) The Company will own a 35.7% controlling general partnership interest in
 - B) 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.
 - 60

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

		1996 BASE RENT PER LEASED SQUARE FOOT(1)				1996 ANNUAL NET EFFECTIVE RENT PER LEASED SQUARE FOOT(2)			
MARKET/SUBMARKET	NUMBER OF PROPERTIES	CLASS A OFFICE	R&D	INDUSTRIAL PROPERTIES		CLASS A OFFICE	R&D	INDUSTRIAL	TOTAL
GREATER BOSTON									
East Cambridge Route 128 NW	5	\$21.67	\$18.95	\$	\$21.37	\$21.94	\$18.47	\$	\$21.57
Bedford, MA	3	14.09	6.37		7.84	15.78	9.18		10.43
Billerica, MA	1		3.12		3.12		7.97		7.97
Burlington, MA	2	20.31			20.31	18.45			18.45
Lexington, MA(3) Route 128/MA Turnpike	10	17.31	6.60		16.82	17.95	6.60		17.42
Waltham, MA Route 128 SW	6	20.99			20.99	19.12			19.12
Westwood, MA Route 128 South	2			4.24	4.24			5.80	5.80
Quincy, MA	1	18.43			18.43	19.86			19.86
Boston	1	26.29			26.29	34.94			34.94
Subtotal GREATER WASHINGTON, D.C.	31	18.54	7.56	4.24	15.25	19.67	10.04	5.80	16.57
SW Washington, D.C.(4) West End Washington,	4	32.89			32.89	32.97			32.97
D.C Montgomery County, MD	1	42.05			42.05	46.82			46.82
Bethesda, MD	3	20.95			20.95	21.22			21.22
Gaithersburg, MD(5) Prince George's County, MD	1	17.02			17.02	18.68			18.68
Landover, MD Fairfax County, VA	3			6.64	6.64			5.28	5.28
Herndon, VA(6)	2								
Reston, VA(7)	2								
Springfield, VA(4)(8)	11		7.95		7.95		9.65		9.65
Subtotal MIDTOWN MANHATTAN	27	25.55	7.95	6.64	20.55	30.57	9.65	5.28	25.19
Park Avenue GREATER SAN FRANCISCO	1	39.74			39.74	47.13			47.13
Hayward, CA	1			3.90	3.90			2.81	2.81
San Francisco, CA(9)	11		7.08	5.24	7.03		8.93	5.40	7.82
Subtotal	12		7.08	4.58	6.29		8.93	4.11	6.61
BUCKS COUNTY, PA	1		7.00	4.38	4.75			5.38	5.38
Total	72	\$28.18	\$ 8.77	\$5.17	\$20.47		\$ 9.75	\$5.27	\$23.91
	===	======	======	=====		======	======	=====	======

- ----

- (1) Base Rent represents the annualized fixed monthly base rental amount in effect under each lease executed as of December 31, 1996, excluding monthly tenant pass-throughs of operating and other expenses, and reduced by any rent concessions in effect as of December 31, 1996.
- (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 Base 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 San Francisco, California.

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	IN MONTHS	RENTABLE SQUARE FEET	PERCENTAGE OF AGGREGATE LEASED SQUARE FEET
General Services Administration:(1) National Aeronautics and Space				
Administration(2) U.S. International Trade	Two Independence Square The U.S. International Trade	187	569,337	7.7%
Commission(3)(4) U.S. Customs	Commission Building	8	217,772	2.9
	7601 Boston Boulevard, Building Eight	213	103,750	1.4
State(6)	7500 Boston Boulevard, Building Six	38	79,971	1.1
	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 Office of the	599 Lexington Avenue	128	355,849	4.8
Comptroller of the Currency(9) ComputerVision Lockheed Martin	One Independence Square Bedford Business Park	113 37-100	331,518 273,704	4.5 3.7
Corporation(10)	Democracy Center, 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,		39	214 725	2.0
Shaw, Pittman, Potts &	One and Ten Cambridge Center		214,725	2.9
Trowbridge The Stride Rite		117	204,154	2.7
Corporation J.I. Case Company		115 18	162,700 161,000	2.2 2.2
Medisense, Inc Jones, Day, Reavis &	Bedford Business Park	114	150,000	2.0
Pogue Output Technologies,	599 Lexington Avenue	62-113	144,289	1.9
Inc Mercer Management	40-46 Harvard Street	79	128,105	1.7
5	33 Hayden Avenue and 2300 N Street	59-62	119,215	1.6
Care, Inc	100 Hayden Avenue and 170 Tracer Lane	38-47	115,448	1.6
Citibank, N.A American PCS, L.P		72 116	114,350 108,591	1.5 1.5
State Street Bank Realty, Inc	Newport Office Center	71	85,366	1.1
	2000 South Club Drive, Building Three	22	83,608	1.1
	Eleven Cambridge Center	24	79,616	1.1
Commercial Union Insurance Companies Logica North America,	Newport Office Center	55	70,878	1.0
	32 Hartwell Avenue	58	69,154	0.9
	Fourteen Cambridge Center	74	67,362	0.9
Technologies, Inc US Enrichment	164 Lexington Road	69	64,140	0.9
Corporation PAREXEL International	Democracy Center	23	63,666	0.9
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 17.8% of total Base Rent of Office and Industrial Properties for 1996.

Lease with the GSA for a net usable square footage amount of 488,374. Lease with the GSA for a net usable square footage amount of 198,388. (2)

(3)

(4) The Company is currently negotiating a ten-year lease extension with the tenant.

Lease with the GSA for a net usable square footage amount of 99,155. (5)

- (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	0F	PERCENT OF ALL LEASES	TOTAL LEASED SQUARE FEET	PERCENTAGE OF AGGREGATE LEASED SQUARE FEET	ANNUAL BASE RENT	PERCENTAGE OF AGGREGATE ANNUAL BASE RENT
2,500 or less	142	34.7%	204,857	2.8%	\$ 3,981,789	2.4%
2,501-5,000	80	19.6	289,494	3.9	6,234,144	3.7
5,001-7,500	39	9.5	240,386	3.2	5,384,928	
7,501-10,000	23	5.6	191,504	2.6	4,891,892	2.9
10,001-20,000	43	10.5	600,200	8.1	12,263,088	7.3
20,001-40,000	36	8.8	1,008,203	13.6	18,577,832	11.1
40,001 +	46	11.2	4,895,807	65.9	115,879,024	69.4
Total	409	100.0%	7,430,451	100.0%	\$167,212,697	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	1	1998	1999	2000	2001	2002	2	2003	2004	2005
GREATER BOSTON											
(1) East Cambridge Square footage of expiring	70,788	. 1	106 297	62 601	217 694	2,912		Θ	25 644	0	Θ
leases Percentage of total rentable	10,100	. 1	106,387	63,691	217,684	2,912		0	25,644	0	0
sq. ft Annual base rent	12.75	5%	19.16%	11.47%	39.21%	0.52%	(9.00%	4.62%	0.00%	0.00%
(2) No. of tenants whose leases ex-	\$1,590,492	\$1,3	375,824	\$1,508,100	\$6,198,336	\$ 80,076	\$	0\$	576,996	\$0	\$0
pire Annualized base	11		5	10	3	1		Θ	1	0	0
rent per leased sq. ft Annualized base rent per leased	\$ 22.47	′\$	12.93	\$ 23.68	\$ 28.47	\$ 27.50	\$ (9.00 \$	22.50	\$ 0.00	\$ 0.00
sq. ft. w/future step- ups (3) Company Quoted Rental Rate per	\$ 23.90) \$	12.93	\$ 24.04	\$ 28.56	\$ 27.50	\$ (9.00 \$	29.52	\$ 0.00	\$ 0.00
sq. ft. (4) Route 128 NW Square footage	\$ 27.92	2									
of expiring leases Percentage of total rentable	107,302	2	31,569	114,624	100,517	208,810	42,	, 380	0	0	90,000
sq. ft Annual base rent	11.52	2%	3.39%	12.31%	10.79%	22.42%	2	4.55%	0.00%	0.00%	9.66%
(2) No. of tenants whose leases ex-	\$1,946,196	i\$5	594,144	\$1,594,296	\$1,927,428	\$3,882,760	\$ 908,	,616 \$	Θ	\$0	\$1,267,992
pire Annualized base rent per leased	26	5	10	7	9	16		3	Θ	0	1
sq. ft Annualized base rent per leased	\$ 18.14	\$	18.82	\$ 13.91	\$ 19.18	\$ 18.59	\$ 2:	1.44 \$	0.00	\$ 0.00	\$ 14.09
sq. ft. w/future step-ups (3) Company Quoted Rental Rate per	\$ 19.48	8 \$	18.83	\$ 15.46	\$ 20.79	\$ 18.69	\$ 23	1.48 \$	0.00	\$ 0.00	\$ 15.50
sq. ft. (4) Route 128/Massa- chusetts Turnpike Square footage of expiring	\$ 27.73	8									
leases Percentage of total rentable	43,402	2	27,883	53,830	85,215	90,674	6,	, 386	Θ	0	Θ
sq. ft Annual base rent	14.12	2%	9.07%	17.51%	27.72%	29.5%	2	2.08%	0.00%	0.00%	0.00%
(2) No. of tenants whose leases ex-	842,988	\$\$5	506,004	\$1,016,340	\$1,848,672	\$2,110,980	\$ 125,	,760 \$	Θ	\$0	\$0
pire Annualized base rent per leased	9)	7	9	4	3		2	Θ	0	Θ
sq. ft Annualized base rent per leased	\$ 19.42	2 \$	18.15	\$ 18.88	\$ 21.69	\$ 23.28	\$ 19	9.69 \$	0.00	\$ 0.00	\$ 0.00
sq. ft. w/future step-ups (3) Company Quoted Rental Rate per	\$ 19.42	2 \$	18.16	\$ 18.94	\$ 21.74	\$ 25.02	\$ 2:	1.84 \$	0.00	\$ 0.00	\$ 0.00
sq. ft. (4) Route 128 South Square footage	\$ 26.48	3									
of expiring leases Percentage of	4,500)	Θ	0	0	70,878	85,	, 366	0	0	0
total rentable sq. ft	2.67	'%	0.00%	0.00%	0.00%	41.98%	50	9.56%	0.00%	0.00%	0.00%
Annual base rent (2)	\$ 18,000)\$	Θ	\$0	\$0	\$1,470,719	\$1,472,	,604 \$	Θ	\$0	\$0

Mathematical basis Part per la 2014 1 0 0 0 0 0 Mathematical basis Part per la 2014 1 0 0 0 0 0 0 Mathematical basis Part per la 2014 1 0<	No. of tenants																		
r.m. r.m. <th< td=""><td>•</td><td></td><td>1</td><td></td><td>Θ</td><td></td><td>0</td><td></td><td>0</td><td></td><td>1</td><td></td><td>1</td><td></td><td>Θ</td><td></td><td>Θ</td><td></td><td>Θ</td></th<>	•		1		Θ		0		0		1		1		Θ		Θ		Θ
Amenia Loss loss in the level of t	rent per leased	\$	4 00	\$	0 00	\$	0 00	\$	0 00	\$	20 75	\$	17 25	\$	0 00	\$	0 00	\$	0 00
strature setual setua	Annualized base rent per leased	Ψ	4.00	Ψ	0.00	Ψ	0.00	Ψ	0.00	Ψ	20.75	Ψ	11.25	Ψ	0.00	Ψ	0.00	Ψ	0.00
sit, fr. (s), s southers i work- southers i	step-ups (3)	\$	4.00	\$	0.00	\$	0.00	\$	0.00	\$	20.75	\$	19.50	\$	0.00	\$	0.00	\$	0.00
100. 0.6. Southwer for costange of costange of response of re	sq. ft. (4)	\$	22.00																
Signer fordage percentage of total refrace total	TON, D.C.																		
Jesses	Square footage																		
sq. rf gal. these set gal. the set	leases Percentage of		288,199		48,855		40,204		87,733		51,848		1,892		41,678		52,838		Θ
(2)	sq. ft		18.50%		3.20%		2.58%		5.63%		3.33%	ó	0.12%		2.68%		3.39%		0.00%
whose leases ex- part. 17 5 5 10 8 3 1 1 0 Array Live 1 leased (a, ft,, ft, Wittlare stop-ups (3),, a, ft, Wittlare stop-ups (3),, b, ft, (4),, a, ft, (4),, b, (4	(2)	\$7	,736,964	\$:	1,179,717	\$1,	,311,732	\$2	2,766,368	\$1	,633,344	\$	67,536	\$1	,079,340	\$1	,875,749	\$	0
Annalized base reft per lassed sq. ft	whose leases ex-		17		5		5		10		8		3		1		1		Θ
Animalized base rent per leased s.q. tr. w/fature rent per leased s.q. tr. w/fature rent per leased s.q. tr. w/fature rent per leased rent lease rent per leased rent p	Annualized base rent per leased																		
sq. ft. w/future General Works sq. ft. (4) 5 34.64 LLASA A FFICE 2006 EECMD CEASA A FFICE 2007 4 DUILINGS 2008 EECMD 2009 A EECMD 2009 A EEC	Annualized base	\$	26.85	\$	24.15	\$	32.63	\$	31.53	\$	31.50	\$	35.70	\$	25.90	\$	35.50	\$	0.00
Sental Rate per sq. Tt. (4)	sq. ft. w/future step-ups (3)	\$	26.86	\$	24.16	\$	32.63	\$	31.66	\$	32.52	\$	39.32	\$	25.90	\$	44.20	\$	0.00
CLASS A OFICE 2000 BEYOND CLASS A OFICE 2000 BEYOND CREATER BOSTOM (1) East Cambridge Darge Touge Darge	Rental Rate per	¢	34 64																
GREATER BOSTON (1) Eagler Footage of expiring leases	CLASS A OFFICE	Ŧ																	
(1) East Cambridge Square footage of expiring lesses				• •															
Square footage 0 6 leases 21,519 45,524 Percentage of 1 1 total 3.83% 8.33% Annual base rent 3.83% 8.33% whose leases ext 697,860 whose leases ext 1 1 Annual base rent 1 1 Sq. ft. W/Tutre stop- 1 up: (1, (1, (1, (1, (1)))) 1 1 Sq. ft. 1 1 sq. ft. 1 1 sq. ft. 1 1 annual base rent 1	(1)																		
leases	Square footage																		
total reintable 3.88% 8.38% Annual base rent 5 597,472 \$ 697,869 No. of tenants Minos Leases ex- plfe	leases		21,519		46,524	4													
Annual base rent 587,472 \$ 697,860 No. of tenants 1 Annualized base 1 annualized base 1 rent per leased 5 sq. ft \$ 27.30 \$ 15.00 Annualized base - rent per leased - aff.tt \$ 31.80 \$ 15.00 Annualized base - rent per leased - aff.tt \$ 31.80 \$ 15.00 Company Quoted \$ 31.80 \$ 15.00 Genard for the per leased - sq. ft 62,700 0 Percentage of - total rentable - sq. ft 162,700 0 Percentage of - total rentable - sq. ft 1.7.47% 0.00% Mula base rent - pire 1 Annualized base - rent per leased - sq. ft 1.7.85 \$ 0.00 Annualized base - rent per leased - sq. ft 5.	total rentable		0.000	,	0.0	201													
No. of tenants whose leases ex- pire	Annual base rent																		
pire	No. of tenants	\$	587,472	ŝ	\$ 697,860	9													
rent per leased sq. ft. x wfuture step. ups (3) \$ 31.80 \$ 15.00 Company Quoted Rental Rate per sq. ft. (4) Route 128 NW Square footage of expiring leases	pire		1		:	1													
Annualized base rent per leased sq. ft. w/future step- ups (3) \$ 31.80 \$ 15.00 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 \$ 2,904,192 \$ 0 No. of tests whose leases ex- pir6 1 0 Annualized base rent per leased sq. ft \$ 17.85 \$ 0.00 Annualized base rent per leased sq. ft \$ 22.48 \$ 0.00 Company Quoted Rental Rate per sq. ft \$ 22.48 \$ 0.00 Company Quoted Rental Rate per sq. ft \$ 0 0 Company Quoted Rental Rate per sq. ft \$ 0 0 Percentage of chusters Turnpike Square footage of expiring leases 0 0 Percentage of chuster sturnpike square footage of expiring leases	rent per leased																		
w/future step- ups (3) \$ 31.80 \$ 15.00 Company Quoted Rental Rate per sq. ft. (4) Route 128 NW Square footage 0 of explring 1eases 1eases 162,700 0 Percentage of 0.00% sq. ft 17.47% 0.00% Annual base rent 0.00% Annual base rent 1 0 Annualized base 1 0 rent per leased 0.00 sq. ft \$ 17.85 \$ 0.00 Annualized base - - rent per leased - - sq. ft	Annualized base rent per leased	\$	27.30		\$ 15.00	9													
Company Quoted Rental Rate per sq. ft. (4) Route 128 WW Square footage of expiring leases leases 162,700 0 Percentage of total rentable sq. ft 17.47% 0.00% Annual base rent (2)	w/future step-	¢	21 00			`													
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 base rent (2) \$ 2,904,192 \$ 0 No. of tenants whose leases ex- pire 1 0 Annualized base rent per leased sq. ft \$ 17.85 \$ 0.00 Annualized base rent per leased sq. ft \$ 17.85 \$ 0.00 Company Quoted Rental Rate per sq. ft. (4) Route 128/Massa- chusetts Turnpike Square footage of expiring leases	Company Quoted	Ф	31.80		Þ 15.00	9													
of expiring leases 162,700 0 Percentage of 1 0 total rentable 17.47% 0.00% Annual base rent 1 0 (2) \$ 2,904,192 0 No. of tenants 0 0 whose leases ex- 1 0 Annualized base 1 0 Annualized base 1 0 Annualized base 17.85 0.00 Annualized base 17.85 0.00 Company Quoted 0 0 Rental Rate per 5 22.48 0.00 Company Quoted 0 0 0 Rental Rate per 5 0.00 0 Square footage 0 0 0 of expiring 0 0 0 leases 0 0 0 Percentage of 0 0 0 total rentable 0 0 0 sq. ft	Route 128 NW																		
Percentage of total rentable sq. ft 17.47% 0.00% Annual base rent (2)	of expiring					-													
sq. ft 17.47% 0.00% Annual base rent \$ 2,904,192 \$ 0 No. of tenants \$ 0 0 whose leases ex- 1 0 pire 1 0 Annualized base 1 0 rent per leased 5 0.00 Annualized base 17.85 \$ 0.00 Annualized base 5 0.00 Annualized base 5 0.00 Annualized base 6 6 sq. ft \$ 17.85 \$ 0.00 Company Quoted 8 0.00 6 Rental Rate per 5 22.48 \$ 0.00 Company Quoted 7 7 7 Route 128/Massa- 6 0 0 chusetts Turnpike 5 0 0 Square footage 0 0 0 of expiring 0 0 0 leases 0 0 0 sq. ft 0.00% 0.00%	Percentage of		162,700		(9													
(2)	sq. ft		17.47%	6	0.00	9%													
whose leases ex- pire 1 0 Annualized base rent per leased	(2)	\$	2,904,192	ŝ	\$ (Э													
Annualized base rent per leased17.85 \$ 0.00Annualized base rent per leased sq. ft. w/future step-ups (3) \$ 22.48 \$ 0.00Company Quoted Rental Rate per sq. ft. (4) Route 128/Massa- chusetts Turnpike Square footage of expiring leases	whose leases ex-					_													
sq. ft \$ 17.85 \$ 0.00 Annualized base rent per leased sq. ft. w/future step-ups (3) \$ 22.48 \$ 0.00 Company Quoted Rental Rate per sq. ft. (4) Rental Rate per sq. ft. (4) Route 128/Massa- Chusetts Turnpike Square footage of expiring 0 leases 0 Percentage of total rentable sq. ft 0.00% Annual base rent 0.00%	Annualized base		1		(Э													
rent per leased sq. ft. w/future step-ups (3) \$ 22.48 \$ 0.00 Company Quoted Rental Rate per sq. ft. (4) Route 128/Massa- chusetts Turnpike Square footage of expiring leases 0 0 Percentage of total rentable sq. ft. 0.00% Annual base rent		\$	17.85	S	\$ 0.00	Э													
step-ups (3) \$ 22.48 \$ 0.00 Company Quoted Rental Rate per sq. ft. (4) Route 128/Massa- chusetts Turnpike Square footage of expiring leases 0 0 Percentage of total rentable sq. ft 0.00% Annual base rent																			
Rental Rate per sq. ft. (4) Route 128/Massa- chusetts Turnpike Square footage of expiring leases 0 0 Percentage of total rentable sq. ft. 0.00% Annual base rent	step-ups (3)	\$	22.48	ŝ	\$ 0.00	9													
chusetts Turnpike Square footage of expiring leases 0 0 Percentage of total rentable sq. ft. 0.00% Annual base rent	Rental Rate per sq. ft. (4)																		
of expiring leases 0 Percentage of total rentable sq. ft 0.00% Annual base rent	chusetts Turnpike																		
Percentage of total rentable sq. ft 0.00% 0.00% Annual base rent	of expiring					_													
sq. ft 0.00% 0.00% Annual base rent	Percentage of		Θ		(9													
	sq. ft		0.00%	6	0.00	9%													
		\$	0	ŝ	\$ (9													

No. of tenants whose leases ex-				
pire Annualized base rent per leased		0		0
sq. ft Annualized base rent per leased	\$	0.00	\$	0.00
sq. ft. w/future step-ups (3) Company Quoted Rental Rate per sq. ft. (4)	\$	0.00	\$	0.00
Route 128 South Square footage of expiring				
leases Percentage of total rentable		Θ		0
sq. ft Annual base rent		0.00%		0.00%
(2) No. of tenants	\$	Θ	\$	Θ
whose leases ex- pire Annualized base		Θ		0
rent per leased sq. ft Annualized base rent per leased	\$	0.00	\$	0.00
sq. ft. w/future step-ups (3) Company Quoted Rental Rate per	\$	0.00	\$	0.00
Rental Rate per sq. ft. (4) GREATER WASHING- TON, D.C.				
Southwest Wash- ington, D.C. Square footage				
of expiring leases Percentage of		331,518		582,905
total rentable sq. ft		21.28%		37.42%
Annual base rent (2) No. of tenants	\$12,	,094,680	\$20),624,885
whose leases ex- pire Annualized base		1		3
rent per leased sq. ft Annualized base rent per leased	\$	36.48	\$	35.38
sq. ft. w/future step-ups (3) Company Quoted Rental Rate per sq. ft. (4)	\$	37.58	\$	37.67
34. 11. (4)				

	1997	1998	1999	2000	2001	2002	2003	2004
West End Washing- ton, D.C.								
Square footage of expiring leases	0	0	0	0	39,651	0	0	0
Percentage of total rentable					·			
sq. ft Annual base rent (2)	0.00% \$0	0.00% \$ 0		0.00% \$0	14.32% \$ 1,149,876			0.00%
No. of tenants whose leases ex- pire	ф 0 0	ф 0	ф 0	0	1	ф 0 0	0	0
Annualized base rent per leased	0	0	0	0	-	Ũ	0	Ū
sq. ft Annualized base rent per leased	\$ 0.00	\$ 0.00	\$ 0.00	\$ 0.00	\$ 29.00	\$ 0.00	\$ 0.00 \$	6 0.00
sq. ft. w/future step-ups (2) Company Quoted Rental Rate per	\$ 0.00	\$ 0.00	\$ 0.00	\$ 0.00	\$ 30.78	\$ 0.00	\$ 0.00 \$	6 0.00
sq. ft. (4) Montgomery Coun- ty, MD	\$ 32.00							
Square footage of expiring								
leases Percentage of total rentable	82,726	97,171	89,447	108,193	68,231	136,129	Θ	0
sq. ft Annual base rent	10.31%	12.11%	11.15%	13.49%	8.51%	16.97%	0.00%	0.00%
(2) No. of tenants	\$ 1,639,463	\$2,135,016	\$1,918,748	\$ 2,513,928	\$ 1,526,040	\$ 2,980,728	\$ 0\$	6 0
whose leases ex- pire Annualized base	15	8	11	13	7	3	0	Θ
rent per leased sq. ft Annualized base rent per leased	\$ 19.82	\$ 21.97	\$ 21.45	\$ 23.24	\$ 22.37	\$ 21.90	\$ 0.00 \$	0.00
sq. ft. w/future step-ups (3) Company Quoted	\$ 19.82	\$ 22.44	\$ 22.26	\$ 24.46	\$ 23.07	\$ 24.70	\$ 0.00 \$	0.00
Rental Rate per sq. ft. (4) MIDTOWN MANHATTAN (5)	\$ 24.01							
Park Avenue Square footage of expiring								
leases Percentage of total rentable	35,971	33,725	350	19,118	Θ	385,656	21,365	10,237
sq. ft Annual base rent	3.60%	3.37%	0.03%	1.91%	0.00%	38.56%	2.14%	1.02%
(2) No. of tenants whose leases ex-	\$ 1,686,540	\$1,855,236	\$ 32,820	\$ 982,152	\$0	\$16,466,604	\$1,565,340 \$	469,524
pire Annualized base	3	2	1	3	Θ	11	5	3
rent per leased sq. ft Annualized base rent per leased	\$ 46.89	\$ 55.01	\$ 93.77	\$ 51.37	\$ 0.00	\$ 42.70	\$ 73.27 \$	\$ 45.87
sq. ft. w/future step-ups (3) Company Quoted	\$ 46.89	\$ 55.01	\$ 105.36	\$ 51.37	\$ 0.00	\$ 47.26	\$ 81.07 \$	48.29
Rental Rate per sq. ft. (4) TOTAL CLASS A OF- FICE BUILDINGS	\$ 44.50							
Square footage of expiring leases	632,888	346,590	362,146	618,460	533,004	657,309	88,687	63,075
Percentage of total rentable	032,000	340, 390	302,140	010,400	555,004	037,309	00,007	03,015
sq. ft Annual base rent	11.24%	6.16%			9.47%			1.12%
(2) No. of tenants whose leases ex-							\$3,221,676 \$	
pire Annualized base rent per leased	82	37	43	42	37	23	7	4
sq. ft Annualized base rent per leased	\$ 24.43	\$ 22.06	\$ 20.38	\$ 26.25	\$ 22.24	\$ 33.48	\$ 36.33 \$	\$ 37.18
sq. ft. w/future step-ups (3) Company Quoted Rental Rate per	\$ 24.82	\$ 22.19	\$ 21.16	\$ 26.79	\$ 22.89	\$ 36.82	\$ 40.24 \$	\$ 44.86

		2005		2006		007 & EYOND
West End Washing- ton, D.C. Square footage						
of expiring leases Percentage of total rentable		Θ		204,154		0
sq. ft Annual base rent		0.00%		73.73%		0.00%
(2) No. of tenants	\$	0	\$	9,102,276	\$	Θ
whose leases ex- pire Annualized base		0		1		Θ
rent per leased sq. ft Annualized base	\$	0.00	\$	44.59	\$	0.00
rent per leased sq. ft. w/future						
step-ups (2) Company Quoted Rental Rate per sq. ft. (4)	\$	0.00	\$	55.68	\$	0.00
Montgomery Coun- ty, MD Square footage						
of expiring leases Percentage of		36,081		152,978		4,664
total rentable sq. ft		4.50%		19.07%		0.58%
Annual base rent (2) No. of tenants	\$	793,692	\$	3,327,348	\$	60,000
whose leases ex- pire		2		3		1
Annualized base rent per leased sq. ft	\$	22.00	\$	21.75	\$	12.86
Annualized base rent per leased sq. ft. w/future						
step-ups (3) Company Quoted Rental Rate per	\$	26.61	\$	22.92	\$	12.86
sq. ft. (4) MIDTOWN MANHATTAN (5)						
Park Avenue Square footage of expiring		8 800		19 207		420, 200
leases Percentage of total rentable		8,890		18,297		439,399
sq. ft Annual base rent		0.89%		1.83%		43.94%
(2) No. of tenants whose leases ex-	\$	516,996	\$	841,656	\$14	,513,563
pire Annualized base		2		2		4
rent per leased sq. ft Annualized base	\$	58.15	\$	46.00	\$	33.03
rent per leased sq. ft. w/future step-ups (3)	\$	60.28	\$	46.92	\$	35.06
Company Quoted Rental Rate per sq. ft. (4)						
TOTAL CLASS A OF- FICE BUILDINGS Square footage						
of expiring leases Percentage of		134,971		891,166	1	,073,492
total rentable sq. ft		2.40%		15.83%		19.07%
Annual base rent (2)	\$2	,578,680	\$2	28,857,624	\$35	,896,308
No. of tenants whose leases ex- pire		5		9		9
Annualized base rent per leased sq. ft	\$	19.11	\$	32.38	\$	33.44
Annualized base rent per leased sq. ft. w/future						
step-ups (3) Company Quoted	\$	21.42	\$	36.51	\$	35.51
Rental Rate per sq. ft. (4)						

R8	D		Ρ	R	0	Ρ	E	R	Т	Ι	E	S			
-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	

GREATER BOSTON											
East Cambridge											
Square footage											
of expiring											
leases		Θ		Θ		0	0	Θ	0	67,362	Θ
Percentage of											
total rentable											
sq. ft		0.009	%	0.00%		0.00%	0.00%	0.00%	0.00%	100.00%	0.00%
Annual base rent											
(2)	\$	Θ	\$	Θ	\$	0 \$	0 \$	0 \$	0	\$1,276,512 \$	Θ
No. of tenants											
whose leases ex-											
pire		Θ		Θ		0	Θ	Θ	0	1	Θ
Annualized base											
rent per leased											
sq. ft	\$	0.00	\$	0.00	\$	0.00 \$	0.00 \$	0.00 \$	0.00	\$ 18.95 \$	0.00
Annualized base	Ψ	0.00	Ψ	0.00	Ψ	0.00 φ	0.00 φ	0.00 φ	0.00	φ 10.55 φ	0.00
rent per leased											
sq. ft. w/future											
step-ups (3)	\$	0.00	¢	0.00	¢	0.00 \$	0.00 \$	0.00 \$	0.00	\$ 25.28 \$	0.00
Company Quoted	φ	0.00	φ	0.00	φ	0.00 \$	0.00 p	0.00 \$	0.00	φ 20.20 φ	0.00
Rental Rate per											
•	\$	20.00									
sq. ft. (4)	Ф	30.00									
GREATER BOSTON											
East Cambridge											
Square footage											
of expiring						_					
leases		0		0		Θ					
Percentage of											
total rentable											
sq. ft		0.00%		0.00%		0.00%					
Annual base rent											
(2)	\$	0	\$	0	\$	Θ					
No. of tenants											
whose leases ex-											
pire		Θ		Θ		Θ					
Annualized base											
rent per leased											
sq. ft	\$	0.00	\$	0.00	\$	0.00					
Annualized base											
rent per leased											
sq. ft. w/future											
step-ups (3)	\$	0.00	\$	0.00	\$	0.00					
Company Quoted											
Rental Rate per											
sq. ft. (4)											

		1997		1998		1999		2000		2001		2002		2003	2	004	20 	05 		2006
Route 128 NW Square footage of expiring		20,000		0		50,000		122,000		0		64 140		50 704		0		0		150,000
leases Percentage of total rentable		30,000		Θ		50,000		133,000		0		64,140		50,704		0		0		150,000
sq. ft Annual base rent		6.28%		0.00%		10.46%		27.83%		0.00%		13.42%		10.61%		0.00%	0	.00%		31.39%
(2) No. of tenants	\$	198,000	\$	Θ	\$	300,000	\$	720,528	\$	Θ	\$4	100,872	\$	336,264	\$	Θ	\$	Θ	\$1	,087,488
whose leases ex- pire Annualized base		1		Θ		1		2		Θ		1		1		0		0		1
rent per leased sq. ft Annualized base	\$	6.60	\$	0.00	\$	6.00	\$	5.42	\$	0.00	\$	6.25	\$	6.63	\$	0.00	\$0	.00	\$	7.25
rent per leased sq. ft. w/future step-ups (3)	\$	6.60	\$	0.00	\$	6.00	\$	5.68	\$	0.00	\$	6.25	\$	6.63	\$	0.00	\$0	.00	\$	7.25
Company Quoted Rental Rate per sq. ft. (4)	\$	8.93	Ŷ	0100	Ŷ	0100	Ŷ	0100	Ŷ	0100	Ŷ	0120	Ŷ	0100	Ŷ	0.00	ψŪ		Ŷ	1120
GREATER WASHING- TON, D.C. Fairfax County,	Ŷ	0100																		
VA Square footage																				
of expiring leases Percentage of		44,433		165,863		47,001		190,361		41,793		Θ		0		5,600		0		O
total rentable sq. ft		7.02%		26.20%		7.42%		30.07%		6.60%		0.00%		0.00%		0.88%	0	.00%		0.00%
Annual base rent	\$	494,196	\$1	,181,748	\$	573,672	\$1	L,798,008	\$4	494,628	\$	0	\$	0	\$3	5,652	\$	0	\$	Θ
No. of tenants whose leases ex- pire		3		9		1		6		2		Θ		0		1		0		0
Annualized base rent per leased	¢	11 10	¢	7 10	¢	10 01	¢	0.45	¢	11 0/	¢	0 00	¢	0 00	¢	6 27	¢0	00	¢	0 00
sq. ft Annualized base rent per leased	\$	11.12	Ф	7.12	Φ	12.21	Þ	9.45	\$	11.84	Ф	0.00	Ф	0.00	\$	6.37	Ф 0	.00	Ф	0.00
sq. ft. w/future step-ups (3) Company Quoted Rental Rate per	\$	11.12	\$	7.32	\$	12.29	\$	9.54	\$	12.91	\$	0.00	\$	0.00	\$	7.83	\$0	.00	\$	0.00
sq. ft. (4) GREATER SAN FRAN- CISCO	\$	12.04																		
Square footage																				
of expiring leases Percentage of		46,050		23,950		25,150		19,519		7,000		6,000		2,000		0		0		Θ
total rentable sq. ft Annual base rent		31.87%		16.58%		17.41%		13.51%		4.84%		4.15%		1.38%		0.00%	0	.00%		0.00%
(2) No. of tenants whose leases ex-	\$	377,260	\$	193,740	\$	184,896	\$	160,032	\$	53,220	\$	46,980	\$	14,160	\$	0	\$	Θ	\$	0
pire Annualized base rent per leased		30		11		11		5		3		2		1		0		0		Θ
sq. ft Annualized base rent per leased	\$	8.19	\$	8.09	\$	7.35	\$	8.20	\$	7.60	\$	7.83	\$	7.08	\$	0.00	\$0	.00	\$	0.00
sq. ft. w/future step-ups (3) Company Quoted	\$	8.26	\$	8.29	\$	7.86	\$	8.51	\$	8.66	\$	8.28	\$	8.52	\$	0.00	\$0	.00	\$	0.00
Rental Rate per sq. ft. (4) TOTAL R&D PROPER-	\$	7.80																		
TIES Square footage of expiring																				
leases Percentage of total rentable		120,483		189,813		122,151		342,880		48,793		70,140		120,066		5,600		0		150,000
sq. ft Annual base rent		9.11%		14.35%		9.23%		25.92%		3.69%		5.30%		9.08%		0.42%	0	.00%		11.34%
(2) No. of tenants whose leases ex-	\$1	,069,456	\$1	, 375, 488	\$1	,058,568	\$2	2,678,568	\$5	547,848	\$4	147,852	\$1	,626,936	\$3	5,652	\$	0	\$1	,087,488
Annualized base rent per leased		34		20		13		13		5		3		3		1		0		1
sq. ft Annualized base rent per leased	\$	8.88	\$	7.25	\$	8.67	\$	7.81	\$	11.23	\$	6.39	\$	13.55	\$	6.37	\$0	.00	\$	7.25
sq. ft. w/future step-ups (3) Company Quoted Rental Rate per	\$	8.90	\$	7.45	\$	9.06	\$	7.98	\$	12.30	\$	6.42	\$	17.13	\$	7.83	\$0	.00	\$	7.25

2007 & BEYOND Route 128 NW Square footage of expiring leases..... Percentage of 0 total rentable 0.00% sq. ft. Annual base rent (2)....No. of tenants 0 \$ whose leases expire..... 0 Annualized base rent per leased sq. ft. \$ 0.00 Annualized base rent per leased sq. ft. w/future step-ups (3).... Company Quoted Rental Rate per \$ 0.00 sq. ft. (4)..... GREATER WASHING-TON, D.C. Fairfax County, VA Square footage of expiring 103,750 leases.... Percentage of total rentable sq. ft. 16.39% Annual base rent (2)..... No. of tenants \$1,422,972 whose leases expire..... 1 Annualized base rent per leased sq. ft..... Annualized base \$ 13.72 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 base rent (2)..... No. of tenants \$ 0 whose leases expire..... Annualized base 0 rent per leased sq. ft..... Annualized base \$ 0.00 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 base rent (2)..... No. of tenants \$1,422,972 whose leases ex-1 pire..... Annualized base rent per leased sq. ft..... \$ 13.72 Annualized base rent per leased sq. ft. w/future step-ups (3).... \$ 13.86 Company Quoted Rental Rate per sq. ft. (4)....

INDUSTRIAL PROPERTIE (MARKET/SUBMARKET)											
GREATER BOSTON Route 128/Massa- chusetts Turnpike Square footage of expiring leases	0	0	22 004	56 747	10 920	0	128 105	0		Θ	0
Percentage of total rentable	0	0	23,904	56,747	10,829	0	128,105	0		0	0
sq. ft Annual base rent	0.00%	0.00%	9.67%	22.94%	4.38%	0.00%	51.80%	0.00%	0.	00%	0.00%
(2) No. of tenants	\$ 0	\$ 0	\$ 77,676	\$ 368,856	\$ 95,292	\$ Θ	\$ 391,728	\$ Θ	\$	Θ	\$ Θ
whose leases ex- pire Annualized base rent per leased	Θ	Θ	1	1	1	0	1	Θ		0	Θ
sq. ft Annualized base rent per leased	\$ 0.00	\$ 0.00	\$ 3.25	\$ 6.50	\$ 8.80	\$ 0.00	\$ 3.06	\$ 0.00	\$0.	00	\$ 0.00
sq. ft. w/future step-ups (3) Company Quoted Rental Rate per	\$ 0.00	\$ 0.00	\$ 3.25	\$ 6.50	\$ 8.80	\$ 0.00	\$ 6.32	\$ 0.00	\$0.	00	\$ 0.00
sq. ft. (4) GREATER WASHING- TON, D.C. Prince George's	\$ 6.10										
County, MD Square footage of expiring leases	63,341	138,971	Θ	21,064	0	0	0	0		Θ	Θ
Percentage of total rentable	03,341	130,971	0	21,004	0	0	0	0		0	0
sq. ft Annual base rent	26.76%	58.70%	0.00%	8.90%	0.00%	0.00%	0.00%	0.00%	0.	00%	0.00%
(2) No. of tenants	\$ 407,304	\$ 963,768	\$ 0	\$ 115,428	\$ Θ	\$ Θ	\$ 0	\$ Θ	\$	Θ	\$ 0
whose leases ex- pire Annualized base	2	5	Θ	1	0	0	Θ	0		0	0
rent per leased sq. ft Annualized base rent per leased	\$ 6.43	\$ 6.94	\$ 0.00	\$ 5.48	\$ 0.00	\$ 0.00	\$ 0.00	\$ 0.00	\$0.	00	\$ 0.00
sq. ft. w/future step-ups (3)	\$ 7.10	\$ 7.13	\$ 0.00	\$ 5.48	\$ 0.00	\$ 0.00	\$ 0.00	\$ 0.00	\$0.	00	\$ 0.00
Company Quoted Rental Rate per sq. ft. (4)	\$ 5.00										
GREATER BOSTON Route 128/Massa- chusetts Turnpike											
Square footage of expiring leases	0										
Percentage of total rentable	0										
sq. ft Annual base rent	0.00%										
(2) No. of tenants	\$ 0										
whose leases ex- pire Annualized base	0										
rent per leased sq. ft.	\$ 0.00										
Annualized base rent per leased											
sq. ft. w/future step-ups (3) Company Quoted	\$ 0.00										
Rental Rate per sq. ft. (4)											
GREATER WASHING- TON, D.C.											
Prince George's County, MD Square footage											
of expiring leases	0										
Percentage of total rentable											
sq. ft Annual base rent	0.00%										
(2) No. of tenants	\$ 0										
whose leases ex- pire Annualized base	0										
rent per leased sq. ft Annualized base	\$ 0.00										
rent per leased sq. ft. w/future step-ups (3)	\$ 0.00										

Company Quoted Rental Rate per sq. ft. (4).....

	1	997	19	998		1999		2000		2001		2002		2003		2004
GREATER SAN FRAN- CISCO																
Square footage of expiring																
leases Percentage of		Θ		20,000		40,000		0		60,000		0		Θ		Θ
total rentable sq. ft		0.00%		7.12%		14.23%		0.00%		21.35%		0.00%		0.00%		0.00%
Annual base rent (2) No. of tenants	\$	Θ	\$	98,400	\$	216,000	\$	Θ	\$	234,000	\$	Θ	\$	0	\$	0
whose leases ex- pire Annualized base		0		1		1		0		1		0		Θ		0
rent per leased sq. ft	\$	0.00	\$	4.92	\$	5.40	\$	0.00	\$	3.90	\$	0.00	\$	0.00	\$	0.00
Annualized base rent per leased																
sq. ft. w/future step-ups (3) Company Quoted Rental Rate per	\$	0.00	\$	5.75	\$	5.95	\$	0.00	\$	3.90	\$	0.00	\$	0.00	\$	0.00
sq. ft. (4) BUCKS COUNTY, PA Square footage of expiring	\$	4.75														
leases Percentage of total rentable		Θ	1	L61,000		Θ		0		0		0		0		0
sq. ft Annual base rent		0.00%		100.00%		0.00%		0.00%		0.00%		0.00%		0.00%		0.00%
(2) No. of tenants whose leases ex-	\$	Θ	\$7	764,748	\$	Θ	\$	Θ	\$	0	\$	Θ	\$	Θ	\$	0
pire Annualized base		0		1		0		0		0		Θ		Θ		0
rent per leased sq. ft Annualized base	\$	0.00	\$	4.75	\$	0.00	\$	0.00	\$	0.00	\$	0.00	\$	0.00	\$	0.00
rent per leased sq. ft. w/future step-ups (3)	\$	0.00	\$	4.75	\$	0.00	\$	0.00	\$	0.00	\$	0.00	\$	0.00	\$	0.00
Company Quoted Rental Rate per sq. ft. (4)	\$	7.50														
TOTAL INDÙSTRIAL PROPERTIES Square footage	Ψ	7.50														
of expiring leases Percentage of		63,341	3	319,971		63,904		77,811		70,829		Θ		128,105		0
total rentable sq. ft		6.84%		34.55%		6.90%		8.40%		7.65%		0.00%		13.83%		0.00%
Annual base rent (2) No. of tenants	\$	407,304	\$ 1,8	326,916	\$	293,676	\$	484,284	\$	329,292	\$	Θ	\$	391,728	\$	0
whose leases ex- pire Annualized base		2		7		2		2		2		0		1		0
rent per leased sq. ft Annualized base	\$	6.43	\$	5.71	\$	4.60	\$	6.22	\$	4.65	\$	0.00	\$	3.06	\$	0.00
rent per leased sq. ft. w/future	¢	7 10	•	0.71	•	5 50	•	0.70	•	5 00	*	0.00	•	c . 00	•	0.00
step-ups (3) Company Quoted Rental Rate per	\$	7.10	Ф	6.71	Э	5.56	Э	8.70	\$	5.09	Þ	0.00	Э	6.32	\$	0.00
sq. ft. (4) TOTAL OFFICE AND INDUSTRIAL PROP- ERTIES	\$	5.65														
Square footage of expiring			-													
leases (6) Percentage of total rentable	;	816,712	8	356,374		548,201	-	1,039,151		652,626		727,949		336,858		68,675
sq. ft Annual base rent	.	10.36%		10.87%		6.96%	.	13.19%	•	8.28%		9.24%	.	4.28%	•••	0.87%
(2) No. of tenants whose leases ex-	\$16,	937,403	\$10,8	348,345	\$8	,734,280	\$19	9,399,736	\$1	2,730,935	\$22	,469,700	\$5	,240,340	\$2,	,380,925
pire Annualized base rent per leased		118		64		58		57		44		26		11		5
sq. ft Annualized base rent per leased	\$	20.74	\$	12.67	\$	15.93	\$	18.67	\$	19.51	\$	30.87	\$	15.56	\$	34.67
sq. ft. w/future step-ups (3) Company Quoted	\$	23.14	\$	14.28	\$	18.67	\$	24.49	\$	20.75	\$	36.82	\$	18.27	\$	44.86
Rental Rate per sq. ft. (4)	\$	25.39														

		2005		2006		2007 & BEYOND
GREATER SAN FRAN-			-			
CISCO Square footage						
of expiring leases		Θ		Θ		Θ
Percentage of		0		0		0
total rentable sq. ft		0.00%		0.00%		0.00%
Annual base rent (2)	\$	Θ	\$	Θ	\$	Θ
No. of tenants whose leases ex-						
pire Annualized base		Θ		0		0
rent per leased sq. ft	\$	0.00	\$	0.00	\$	0.00
Annualized base rent per leased						
sq. ft. w/future step-ups (3)	\$	0.00	\$	0.00	\$	0.00
Company Quoted Rental Rate per	Ψ	0.00	Ψ	0100	Ψ	0100
sq. ft. (4)						
BUCKS COUNTY, PA Square footage						
of expiring leases		Θ		Θ		Θ
Percentage of total rentable						
sq. ft Annual base rent		0.00%		0.00%		0.00%
(2) No. of tenants	\$	Θ	\$	0	\$	Θ
whose leases ex- pire		0		Θ		Θ
Annualized base rent per leased						
sq. ft Annualized base	\$	0.00	\$	0.00	\$	0.00
rent per leased sq. ft. w/future						
step-ups (3) Company Quoted	\$	0.00	\$	0.00	\$	0.00
Rental Rate per						
sq. ft. (4) TOTAL INDUSTRIAL PROPERTIES						
Square footage						
of expiring leases		0		0		Θ
Percentage of total rentable		0.00%		0.00%		0.00%
sq. ft Annual base rent		0.00%		0.00%		0.00%
(2) No. of tenants	\$	0	\$	Θ	\$	Θ
whose leases ex- pire		0		0		Θ
Annualized base rent per leased						
sq. ft Annualized base	\$	0.00	\$	0.00	\$	0.00
rent per leased sq. ft. w/future						
step-ups (3) Company Quoted	\$	0.00	\$	0.00	\$	0.00
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		104,011		1,041,100		1,11,242
sq. ft		1.71%		13.21%		14.94%
Annual base rent (2) No. of tenants	\$2	,578,680	\$2	29,945,112	\$3	37,319,280
whose leases ex-		5		10		10
pire Annualized base		J		10		TO
rent per leased sq. ft	\$	19.11	\$	28.76	\$	31.70
Annualized base rent per leased						
sq. ft. w/future step-ups (3)	\$	21.42	\$	36.51	\$	35.51
Company Quoted Rental Rate per						
sq. ft. (4)						

(1) The Company owns one Office Property in Boston which is used exclusively

as the Company's headquarters.

- (2) Base rent represents the annualized fixed monthly base rental amount in effect under each lease executed as of December 31, 1996, excluding monthly tenant pass-throughs of operating and other expenses, and reduced by any rent concessions in effect as of December 31, 1996.
- (3) Represents Base Rent as described in footnote (2) above, but also reflects contractual increases in monthly base rental amounts 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, had 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.

	1000	1000	1004	1005	1000	WEIGHTED
OFFICE PROPERTIES Class A Office Buildings			1994			AVERAGE
RENEWALS						
Number of leases Square feet Tenant improvement costs per square foot Leasing commission costs			30 239,441			
	\$ 1.63	\$ 0.47	\$ 2.70	\$ 0.48	\$ 2.80	\$ 1.87
per square foot			0.93			0.83
Total tenant improvement and leasing commission costs per square foot			\$ 3.63 ======			
NEW LEASES Number of leases Square feet			57 451,018			
Tenant improvement costs per square foot	\$10.50	\$10.43	\$10.53	\$ 8.08	\$10.33	\$ 9.80
Leasing commission costs per square foot			2.02			
Total tenant improvement and leasing commission						
costs per square foot			\$12.55 ======			
TOTAL Number of leases Square feet			87 690,459			
Tenant improvement costs per square foot Leasing commission costs	\$ 6.57	\$ 6.83	\$ 7.81	\$ 7.30	\$ 8.99	\$ 7.66
per square foot			1.64			2.15
Total tenant improvement and leasing commission costs per square foot	\$ 7.85	\$ 8.45	\$ 9.45	\$10.66	\$11.40	
R&D Properties RENEWALS Number of leases			=======			=====
Square feet Tenant improvement costs			49,552			
per square foot Leasing commission costs	\$ 2.73	\$ 2.22	\$ 0.74	\$ 1.35	\$ 0.98	\$ 1.41
per square foot			0.59			0.70
Total tenant improvement and leasing commission costs per square foot			\$ 1.33			
NEW LEASES			======			=====
Number of leases Square feet Tenant improvement costs			20 228,780			
per square foot Leasing commission costs	\$ 3.42	\$ 4.02	\$ 0.19	\$ 7.23	\$15.01	\$ 6.04
per square foot			0.34			1.01
Total tenant improvement and leasing commission costs per square foot			\$ 0.53 ======			
TOTAL Number of leases Square feet Tenant improvement costs	35 185,070		29 276,332			
per square foot Leasing commission costs per square foot	\$ 3.21	\$ 3.79	\$ 0.29	\$ 6.18	\$ 9.23	\$ 4.83
			0.39			0.93
Total tenant improvement and leasing commission costs per square foot			\$ 0.68			
INDUSTRIAL PROPERTIES						
RENEWALS						
Number of leases Square feet			2 13,367			
Tenant improvement costs per square foot Leasing commission costs	\$ 2.27	\$ 0.00	\$ 0.00	\$ 0.00	\$ 0.00	\$ 0.21
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					\$ 0.57	
NEW LEASES Number of leases Square feet Tenant improvement costs		4 241,500				
per square foot Leasing commission costs	\$ 1.00	\$ 0.12	\$ 1.58	\$ 0.19	\$ 1.09	\$ 0.54
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				\$ 2.34	
TOTAL						
Number of leases Square feet Tenant improvement costs		4 241,500				
per square foot Leasing commission costs	\$ 1.38	\$ 0.12	\$ 1.42	\$ 0.15	\$ 0.70	\$ 0.48
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) Square feet(1) Tenant improvement			41 302,360		59 412,312	
foot Leasing commission costs per square	\$1.83	\$0.67	\$2.26	\$0.44	\$1.87	\$1.60
foot				0.79		
Total tenant improvement and leasing commission costs per square						
foot				\$1.23 =======		
NEW LEASES Number of leases(2) Square feet(2) Tenant improvement		73 675,854		83 1,072,983	81 1,063,235	
costs per square foot Leasing commission costs per square	\$8.26	\$5.36	\$6.25	\$6.22	\$10.49	\$7.44
foot	1.73	1.43	1.55	2.65	2.52	2.09
Total tenant improvement and leasing commission costs per square foot				\$8.87		\$9.53
TOTAL						
Number of leases Square feet Tenant improvement costs per square			122 1,099,318	133 1,253,974	140 1,475,547	
foot Leasing commission costs per square	\$5.62	\$4.35	\$5.15	\$5.39	\$8.09	\$5.93
foot	1.12	1.23	1.36	2.38	2.16	1.74
Total tenant improvement and leasing commission costs per square foot			\$6.51			
	======	======	=======	========	========	======

(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.

YE				
				AVERAGE
	 (IN THO	DUSANDS)		

Recurring capital expenditures..... \$1,425 \$1,547 \$1,812 \$1,618 \$1,803 \$1,642

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, 1992 1993 1994 1995 1996 AVERAGE (IN THOUSANDS)

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 Aggregate net rentable square footage of expiring	95	105	95	104	100
leases Number of lease renewals Aggregate net rentable	916,164 49	1,395,922 45	1,008,579 53	892,486 62	1,053,288 52
square footage of lease renewals Percentage of leases	336,156	452,885	444,229	451,504	421,194
renewed Percentage of expiring net	51.6%	42.9%	55.8%	59.6%	52.0%
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 7.2% of the aggregate Base 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 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 twelvestory 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 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 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, 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 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 object 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).

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 fivestory 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'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. Average asking rental rates declined during the period from 1993 to 1996 and Availability Rates varied during this period.

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 \$37.06 per rentable square foot, plus an additional \$1.1 million parking component. The General Services Administration's lease provides for annual adjustments to reflect inflation and increases in real estate taxes with respect to the \$37.06 per square foot base rent component and an annual 4% increase on the \$1.1 million parking component of the rent. The tenant has an option to renew its lease for one ten-year term commencing on August 1, 2012.

The Average Effective Annual Rent per leased square foot of Two Independence Square for the years ended December 31, 1992, 1993, 1994, 1995, and 1996 was \$36.06, \$36.06, \$36.06, \$36.51 and \$36.51, 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 Base Rent under such leases was \$47,460, representing 0.2% of the total Base 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.

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 276,906 rentable square feet and is the headquarters for the law firm of Shaw, Pittman, Potts & Trowbridge which leases approximately 204,154 rentable square feet. 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, Ownings & 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
1990	13.0%	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/Edward S. Gordon Co., Inc. ("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 Boston Properties Predecessor Group'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.

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. Pursuant to such lease, Shearman & Sterling is expected to pay Base Rent per leased square foot of \$30.02 in 1997, \$34.51 during the years 1998 through 2001, \$35.84 in 2002, and \$38.23 during the years 2003 through 2007. Such lease provides for an automatic expansion of 67,800 square feet which becomes effective on September 1, 1997. In addition, under such lease the tenant has four five-year extension options following the expiration of the lease on August 31, 2007. As of December 31, 1996, Jones, Day, Reavis & Pogue ("Jones, Day"), 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 with respect to 128,539 net rentable square feet and on May 31, 2006 with respect to the remaining 15,750 net rentable square feet. Jones, Day has a five-year renewal option with respect to the 128,539 net rentable square feet for which its lease expires on February 28, 2002. Pursuant to its lease, Jones, Day is expected to pay Base Rent per leased square foot of \$50.65 in 1997, \$51.21 in 1998, \$51.43 in 1999, \$51.65 in 2000, \$52.18 in 2001, and \$52.41 in 2002, and, with respect to the 15,750 net rentable square feet for which its lease does not expire until 2006, \$48.00 during the years 2003 through 2006. As of December 31, 1996, 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. Pursuant to this lease, Citibank is expected to pay Base Rent per leased square foot of \$39.50 in 1997, \$42.79 in 1998, and \$45.50 during the years 1999 through 2002.

The Average Effective Annual Rent per leased square foot of 599 Lexington Avenue for the years ended December 31, 1992, 1993, 1994, 1995, and 1996 was \$41.08, \$41.08, \$40.75, \$40.65, and \$39.94, 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--Lease Expirations of Office and Industrial Properties--Midtown Manhattan."

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, multipurpose 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 Real Estate Group, Inc. ("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.

[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
1000	10 49/	\$ 0.00
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				1996
0ccupancy	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.

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 Hotel Properties had a weighted average occupancy rate of 84.0%, a weighted average ADR of \$174.97 and a weighted average REVPAR of \$147.44. Management believes that REVPAR is an industry standard measure used to present hotel operating data. Based upon the 1997 original hotel budgets prepared by Marriott(R), the independent manager of the Hotel Properties, the Company believes that its revenue from the participating hotel leases for the twelve months ending March 31, 1998 will be at least \$20.49 million, as compared to revenue from the participating hotel leases for the twelve months ended March 31, 1997, on a pro forma basis, of approximately \$18.29 million. Revenues from the Hotel Properties have exceeded the budget prepared by Marriott(R) by approximately 5% for the period from January 4 through April 25, 1997. However, there can be no assurances that the Hotel Properties will perform in accordance with the 1997 original budget.

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.

The Development Properties are more than 79% pre-committed to tenants under leases or commitments that provide for aggregate rental payments by such tenants of approximately \$2.1 million for the twelve month period ending on March 31, 1998, assuming timely completion of such projects. Although the Company believes that all the Development Properties will be completed on schedule, no assurances can be made in this regard.

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-tosuit" 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 Lexington, MA Cambridge, MA	Fairfax County, VA Route 128 NW East Cambridge, MA	3 1 1	9.4 6.8 4.2	130,000 50,000 539,000
Andover, MA	Route 495 N	1	27.0	290,000
Total		6	47.4	1,009,000

.

 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 Bethseda, 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 have averaged more than \$700,000 per year and are 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 Edward H. Linde		Chairman of the Board President, Chief Executive
Alan J. Patricof. Ivan G. Seidenberg. Martin Turchin. Raymond A. Ritchey. Robert E. Burke. David R. Barrett. Robert E. Selsam.	50 55 46 59 55	Officer and Director Director Nominee Director Nominee Director Nominee Senior Vice President Senior Vice President Senior Vice President Senior Vice President
David G. Gaw		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, Director Nominees 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 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 Editorin-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 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 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. Since 1985, Mr. Turchin has served as 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 & 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, and annually thereafter will receive an option to purchase 10,000 shares of Common Stock, and

EXECUTIVE COMPENSATION

The following table sets forth the total compensation paid in 1996 and 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").

SUMMARY COMPENSATION TABLE

		ANNUAL COMPENSATION			LONG TERM COMPENSATION AWARDS	
NAME AND PRINCIPAL POSITION	YEAR	SALARY(\$)	BONUS(\$)	OTHER ANNUAL COMPENSATION(\$)	SECURITIES UNDERLYING OPTIONS(#)	ALL OTHER COMPENSATION(\$)
Edward H. Linde President and Chief Executive Officer	1997 1996	\$150,000(1) 7,000	(2)	(3) \$12,378(3)	320,000(4) 	
Raymond A. Ritchey	1997	\$250,000(1)	(2)		200,000(4)	(5)
Senior Vice President	1996	292,423				\$4,150(5)
Robert E. Burke	1997	\$250,000(1)	(2)		160,000(4)	(5)
Senior Vice President	1996	313,023				\$4,150(5)
David R. Barrett	1997	\$240,000(1)	(2)		120,000(4)	(5)
Senior Vice President	1996	285,493				\$4,150(5)
Robert E. Selsam	1997	\$221,500(1)	(2)		80,000(4)	(5)
Senior Vice President	1996	220,324	\$42,654			\$4,150(5)

- -----

- (1) Represents rate of annual base salary for 1997 that will be in effect following the Offering.
- (2) 1997 bonus will be determined by the Board of Directors in its discretion.
- (3) Represents the Company's contribution toward Mr. Linde's automobile expenses. The Company anticipates that this amount will remain approximately the same in 1997.
- (4) One third of these options will be exercisable on each of the third, fourth and fifth anniversary of the date of grant.
- (5) 1996 amounts include the Company's matching contribution under its 401(k) plan (\$4,000 per individual) and the Company's cost of term life insurance (approximately \$150 per individual). The Company anticipates that 1997 amounts will be approximately the same.

OPTION GRANTS IN FISCAL YEAR 1997

		INDIVIDU PERCENT OF TOTAL OPTIONS	POTENTIAL REALIZABLE VALUE AT ASSUMED ANNUAL RATES OF SHARE PRICE APPRECIATION FOR			
NAME	OPTIONS	GRANTED TO	EXERCISE OR		OPTION	
	GRANTED	EMPLOYEES IN	BASE PRICE	EXPIRATION		
	(#)(1)	FISCAL YEAR	(\$/SH)(2)	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.

(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 nonwithout 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. The Company will continue to be subject during the term of Mr. Selsam's employment to an agreement dated August 10, 1995 pursuant to which he will be paid (i) \$35,000 on August 1, 1996 and (ii) 5% of the management fees earned on 90 Church Street, a property managed by the Company.

COMPENSATION COMMITTEE INTERLOCKS AND INSIDER PARTICIPATION

During 1996, the Company had no Compensation Committee. Mr. Linde, the Company's President and Chief Executive Officer, served on the Board of Directors.

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 nonemployee 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 175 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)	930,000
Non-Employee Director Group (4 persons) Non-Executive Officer Employee Group	350,000
(approximately 169 persons)	1,010,000

- ----

(1) All options will be granted to the employees and the non-employee directors at the initial public offering price of \$25.00. In general, onethird 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 shortterm 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.

CERTAIN TRANSACTIONS

Messrs. Zuckerman and Linde have made loans totaling \$40.5 million to entities that, prior to the Offering, owned the Development Properties and certain parcels of land that will be owned by the Company at the completion of the Offering. Such loans bear interest at an annual rate of 9.25%, which interest has been capitalized over the period that such loans have been outstanding. At the completion of the Offering, the balance of such loans will be approximately \$42.8 million, which balance will be repaid at the completion of the Offering with amounts drawn under the Unsecured Line of Credit.

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. The Company has not established a specific policy regarding the relative priority of these investment objectives. 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 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

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, or a successor property acquired in a like-kind exchange for such a property) 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. 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 does 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.

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, $\ensuremath{\mathsf{Preferred}}$ 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.

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. Other persons who will be officers of the Company at the completion of the Offering will receive 1,186,298 OP Units, with a total value of approximately \$29.7 million based on the assumed initial public offering price, for their interests in the Property Partnerships. In addition, guarantees by Messrs. Zuckerman and Linde with respect to principal repayment of approximately \$92 million of indebtedness will be released because such indebtedness will be repaid at the completion of the Offering. The book value of the interests and assets to be transferred to the Company by Messrs. Zuckerman and Linde and other officers of the Company is approximately negative \$490 million.
- . 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. Messrs. Zuckerman and Linde will continue to guarantee certain indebtedness of the Company. See "Operating Partnership Agreement--Tax Protection Provisions." In addition, 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 when due any indebtedness guaranteed by them.

- 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.
- . Messrs. Zuckerman and Linde will continue to own approximately 7.6% of the outstanding Common Stock following the Offering, will serve as directors and as officers with the titles Chairman of the Board and President and Chief Executive Officer, respectively, and Mr. Linde will have an employment agreement.
- . Messrs. Zuckerman and Linde will benefit from a "grandfather" provision in the Company's Shareholder Rights Agreement which will assure that they and their affiliates will not, alone, be deemed to be a "group" that will trigger the exercisability of rights issued thereunder and that will enable them to continue to own, whether through ownership of Common Stock or OP Units, a percentage economic interest in the Company equal to their interest as of immediately after the Closing.

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."

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 threefourths 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 executive and 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 (one year in the case of senior officers who are not executive officers) 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 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	OF ALL COMMON
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%.

- (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.
- 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.

⁽¹⁾ Address: c/o Boston Properties, Inc., 8 Arlington Street, Boston, Massachusetts 02116.

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 within the meaning of Section 856(h) of the Code or results in the held 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 $\ensuremath{\mathsf{NYSE}}$.

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 a day prior to 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 E Junior Participating Cumulative Preferred Stock, par value \$.01 per Share (the "Series E 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 ') has acquired beneficial ownership of more than 15% of the sum of the Person' 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 (excluding OP Units held by the Company) 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 E 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 E Preferred Stock at an exchange ratio of one share of Common Stock or one Unit of Series E 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 E 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 E Preferred Stock, (ii) if holders of the Series E Preferred Stock are granted certain rights or warrants to subscribe for Series E Preferred Stock or convertible securities at less than the current market price of the Series E Preferred Stock, or (iii) upon the distribution to holders of the Series E 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 E 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' 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 tenyear 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 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 nonqualifying 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 sasets. The 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 Development and Management as to the value of the securities of the Development and Hoargement as to the value of the securities of the Development and Hoargement as to the value of the securities of the Development and Hoargement as to the value of the securities of the Development and Hoargement as to the value of the securities of the Development and Hoargement as to the value of the securities of the Development and Hoargement Company.

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 longterm 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. À 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 nonresident 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:

	NUMBER
	0F
UNDERWRITER	SHARES
Neurill Lunch Dienes Franze & Onith	
Merrill Lynch, Pierce, Fenner & Smith	
Incorporated	
Goldman, Sachs & Co	
Bear, Stearns & Co. Inc	
Morgan Stanley & Co. Incorporated	
PaineWebber Incorporated	

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 (UK) Ltd., Prudential-Bache Securities (U.K.) Inc., 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.

Prudential Securities Incorporated..... Smith Barney Inc.

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, 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 750,000 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 "Commission") 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 Commission. 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 Commission as its principal office at 450 Fifth Street, Northwest, Washington, D.C. 20549, upon payment of the fees prescribed by the Commission. The Commission 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 Commission.

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.

"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.

"Average Effective Annual Rent" means the Base Rent for the month of December of the applicable year, presented on a straight-line basis in accordance with GAAP, exclusive of tenant pass-throughs of operating and other expenses.

"Base Rent" means the annualized fixed monthly base rental amount in effect under each lease executed as of December 31, 1996, excluding monthly tenant pass-throughs of operating and other expenses, and reduced by any rent concessions in effect as of December 31, 1996.

"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 or a successor property acquired in a "like kind" exchange for such a property.

"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.

"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 (UK) Ltd., Prudential-Bache Securities (U.K.) Inc., 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 BankBoston, N.A.

"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.

"Marriott (R)" means Marriott International, Inc., the manager of the two Hotel Properties.

"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 ${\tt E}$ preferred stock of the Company, $.01 \ {\tt par}$ 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 Ownership 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.

"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 (excluding food and beverage revenue) over the applicable period by available rooms (i.e., the sum of the number of rooms available to be rented at a Hotel Property on each day of the applicable period).

"Rule 144" means Rule 144 promulgated under the Securities Act.

"Securities Act" means the Securities Act of 1933, as amended.

"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.

"Unsecured Line of Credit" means the three-year, \$300 million unsecured revolving line of credit with BankBoston, N.A., as agent.

"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.

 $"\ensuremath{\mathsf{U.S.}}$ 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.

PAGE

Desker Deservative Terra	
Boston Properties, Inc.:	
Unaudited Pro Forma Condensed Consolidated Financial Information:	
Pro Forma Condensed Consolidated Balance Sheet as of March 31, 1997 Pro Forma Condensed Consolidated Statement of Income for the three month	F-2
period ended March 31, 1997	F-3
Pro Forma Condensed Consolidated Statement of Income for the year ended	
December 31, 1996 Notes and Management's Assumptions to the Pro Forma Condensed	F-4
Consolidated Financial Information	55
Boston Properties Predecessor Group:	F-3
Report of Independent Accountants	E-17
Combined Balance Sheets as of December 31, 1996 and 1995 and (unaudited)	1-11
as of March 31, 1997	F-18
Combined Statements of Operations for the years ended December 31, 1996,	
1995 and 1994 and (unaudited) for the three months ended March 31, 1997	
and March 31, 1996	F-19
Combined Statements of Owners' Equity (Deficit) for the years ended	
December 31, 1996, 1995 and 1994 and (unaudited) for the three months	
ended March 31, 1997	F-20
Combined Statements of Cash Flows for the years ended December 31, 1996,	
1995 and 1994 and (unaudited) for the three months ended March 31, 1997	
and March 31, 1996	
Notes to Combined Financial Statements	F-22
Schedule III: Real Estate and Accumulated Depreciation as of December	
31, 1996	F-28

PRO FORMA CONDENSED CONSOLIDATED BALANCE SHEET

MARCH 31, 1997 (UNAUDITED) (IN THOUSANDS)

	PRO FORMA ADJUSTMENTS (NOTE 5)				
	PREDECESSOR	THE OFFERING		ACQUISITION PROPERTY	PRO FORMA
ASSETS					
Real estate and equip- ment Less: accumulated	\$1,048,210		\$ 10,283	\$21,700	\$1,080,193
depreciation	(272,077)				(272,077)
Total real estate and equipment Cash and cash equiva-	776,133		10,283	21,700	808,116
lents Escrows Tenant and other receiv-	2,980 26,149	\$731,942	(727,835) (15,419)		7,087 10,730
Accrued rental income Tenant leasing costs Deferred financing	12,619 49,464 19,038				12,619 49,464 19,038
costs Prepaid expenses and	6,037		749		6,786
other assets Investment in Joint Ven-	7,210	(1,004)			6,206
ture	433				433
Total assets	\$ 900,063	\$730,938 ======	\$(732,222) =======		\$ 920,479
LIABILITIES AND STOCKHOLDERS' EQUITY Liabilities: Mortgage notes payable and unsecured line of					
credit Notes payable	\$1,418,488		\$(700,962)	\$21,700	\$ 739,226
affiliate Accounts payable and	28,157		(28,157)		
accrued expenses Accrued interest	16,469				16,469
payable Rent received in advance, security deposits and other	6,203				6,203
liabilities	6,440				6,440
Total liabilities	1,475,757		(729,119)		768,338
Commitments and contin-					
gencies Minority interest in			10 005		
Operating Partnership			48,838		48,838
Stockholders' and own- ers' 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.

PRO FORMA CONDENSED CONSOLIDATED STATEMENT OF INCOME

FOR THE THREE MONTHS ENDED MARCH 31, 1997 (UNAUDITED) (IN THOUSANDS, EXCEPT PER SHARE DATA)

PRO I		•	5)
	OTHER ADJUSTMENTS B(II)	ACQUISITION PROPERTY (C)(II)	PRO FORMA
\$41,911 5,502	\$ 3,669	\$775 48	\$42,686 3,669 5,550 440
		823	52,345
12,796	(12,796)	020	
1,813 444	(234) (176)	4	1,579 272
63,455	(10,086)	827	54,196
7,107 6,898	(182) 636	226 89	7,151 7,623
9,277 724 2,667	(9,277) (724) 209		 2,876
27, 309	(13,821)		13,488
8,841	173		9,014
63,233	(23,084)	315	40,464
222	12,998	512	13,732
(126)			(126)
96	12,998	512	13,606
	(4,368)		(4,368)
\$ 96 ======	\$ 8,630	\$512	\$ 9,238 ======
			\$.27 ======
			33,984
	PREDECESSOR \$41,911 5,502 989 48,402 12,796 1,813 444 	OTHER ADJUSTMENTS B(II) \$41,911 5,502 989 (549) 5,502 989 (549) 48,402 12,796 (12,796) 3,120 (12,796) 1,813 444 (176) (234) (176) 63,455 (10,086) 	ADJUSTMENTS PROPERTY (C)(II) \$41,911 \$775 \$3,669 48 989 (549) 48,402 3,120 823 12,796 (12,796) 823 1,813 (234) 444 (176) 4

The accompanying notes are an integral part of the pro forma condensed consolidated statement of income.

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)				
	PREDECESSOR	OTHER ADJUSTMENTS	ACQUISITION	PRO FORMA	
Revenue: Rental:					
Base rent	\$169,420		\$2,908	\$172,328	
Renthotels and garage Recoveries from tenants	22,607	\$ 22,371	173	22,371 22,780	
Parking and other	2,979	(2,043)	175	936	
-					
Total rental revenue	195,006	20,328	3,081	218,415	
Hotel Development and management	65,678	(65,678)			
services	5,719	(936)		4,783	
Interest and other	3,530	(705)	7	2,832	
Tatal management					
Total revenue	269,933	(46,991)	3,088	226,030	
Expenses:					
Rental:		<i>(</i> – , –)			
Operating Real estate taxes	29,823 28,372	(713) 2,754	879 347	29,989 31,473	
Hotel:	20,312	2,754	347	31,473	
Operating	43,634	(43,634)			
Real estate taxes	3,100	(3,100)			
General and administrative	10,754	834		11,588	
Interest Interestamortization of	107,121	(52,703)		54,418	
financing costs	2,273	(731)		1,542	
Depreciation and amortization	36,199	691		36,890	
Total expenses	261 276	(06 602)	1,226	165 000	
Total expenses	261,276	(96,602)	1,220	165,900	
Income before minority interests					
and extraordinary item	8,657	49,611	1,862	60,130	
Minority interest in combined partnership	(384)			(384)	
	(304)			(304)	
Income before minority interest					
in Operating Partnership and	0 070	40 011	1 000	50 740	
extraordinary item Minority interest in Operating	8,273	49,611	1,862	59,746	
Partnership		(19,178)		(19,178)	
Net income before extraordinary	¢ 0 070	¢ 20 422	¢1 000	¢ 40 FC0	
item	\$ 8,273 ======		\$1,862 ======	\$ 40,568 ======	
Net income before extraordinary					
item per share				\$ 1.19	
Weighted average number of shares				======	
outstanding				33,984	
5				=======	

The accompanying notes are an integral part of the pro forma condensed consolidated statement of income.

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

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 1,009,000 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.

0ther

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.

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	()
599 Lexington Avenue Democracy Center Long Wharf Marriott Cambridge Center Marriott The U.S. International Trade	July 19, 2005 July 24, 1998 June 28, 1997 June 30, 1997	8.000% 6.700% 6.200% 6.875%	\$185,000 109,900 68,600 61,000
Commission Building One Cambridge Center 2300 N Street Three Cambridge Center Lexington Office Park Waltham Office Center Eleven Cambridge Center	July 12, 1997 June 30, 1997 August 3, 1998 June 30,1997 June 30, 2001 October 1, 1997 October 1, 1997	7.350% 6.875% 9.170% 6.875% 6.500% 9.500% 9.500%	50,000 45,000 34,000 19,000 15,275 11,389 8,319
<pre>7601 Boston Boulevard, Building Eight 8000 Grainger Court, Building Five Fourteen Cambridge Center 7500 Boston Boulevard, Building Six 195 West Street</pre>	August 15, 1997 August 15, 1997 March 24, 2001 August 15, 1997 June 19, 1999	6.750% 6.750% 7.250% 6.750% 7.250%	8,266 7,567 6,719 6,359 5,778
7600 Boston Boulevard, Building Nine 7435 Boston Boulevard, Building	August 15, 1997	6.750%	5,723
One 40-46 Harvard Street 170 Tracer Lane 6201 Columbia Park Road, Building	October 1, 1997 June 1, 2001 October 1, 1997	9.500% 6.500% 9.500%	5,564 5,345 5,146
Two Eight Arlington Street 32 Hartwell Avenue 10 & 20 Burlington Mall Road 7374 Boston Boulevard, Building	August 15, 1997 June 30, 2001 October 1, 1997 July 1, 2001	6.750% 6.500% 9.500% 8.330%	4,960 4,582 4,193 3,594
Four	October 1, 1997 August 15, 1997	9.500% 6.750%	3,593 3,497
204 Second Avenue 25-33 Dartmouth Street 1950 Stanford Court, Building One 91 Hartwell Avenue 7451 Boston Boulevard, Building	October 1, 1997 October 1, 1997 August 15, 1997 July 1, 2001	9.500% 9.500% 6.750% 8.330%	3, 331 3, 273 2, 628 2, 448
Two164 Lexington Road92 & 100 Hayden Avenue2391 West Winton Avenue17 Hartwell Avenue	October 1, 1997 November 30, 2000 July 1, 2001 March 20, 2006 October 1, 1997	9.500% 7.800% 8.330% 9.875% 9.500%	2,199 1,959 1,958 1,327 926
			\$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.

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	SHARE- MINORITY HOLDERS' INTEREST EQUITY
5B(i)(1) Purchase of limited partners'	•						
interests 5B(i)(2) Transfer costs	\$ 414	\$ (550)					\$ 136
paid 5B(i)(3) Deferred financing costs and mortgage loan prepayment penalties,	9,869	(9,869)					
5B(i)(4) Mortgage loan repayment,		(8,998)		\$749			8,249
net 5B(i)(5) Extinguishment of 599		(708,418)			\$(680,261)	\$(28,157)	
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 ======= =======

- ----

 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.

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 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
- (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.

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

Status	PRO FORMA ADJUSTMENTS		RKING HOTEL COME REVENUE	MGMT FEES	AND OTHER	PROPERTY OPERATING EXPENSES	PROPERTY REAL ESTATE TAXES		HOTEL REAL ESTATE TAXES	GENERAL OFFICE & ADMIN
Assignment of resolutions 50(11)(2) Equity 1000000000000000000000000000000000000										
income \$17 income \$127 income \$127 <	Assignment of contracts 5B(ii)(2) Equity			\$(234)						\$(216)
of mathem and approperations of states \$(540) \$(12,790) \$(182) \$833 \$(9,277) \$(724) SB(11) (4) mathem and and and and and and and and and and	income				\$17					
58(11)(2) Rental oprage 58(11)(5) General addinistrative 58(11)(5) General (1) 58(11)(7) Amortization of deferred tinancing transcing 58(11)(8) Rental (1) 58(11)(8) Rental (1) 58(11)(7) Assignment (1) 58(11)(7) Assignment (1) 58(11)(8) Rental (1) 58(11)(8) Rental (1)	of hotels and	¢	(540) \$(12 706)	N		¢(192)	\$626	¢(0, 277)	¢ (724)	
garage \$3,669 SR(11)(5) General and and Addinatorative SR(11)(7) Anortization of offerred financing SS(11)(8) Protection SS(11)(8) Protect	5B(ii)(4) Rental of hotels	Φ((549) \$(12,790 ₎)		Φ(102)	\$030	\$(9,211)	\$ (724)	
administrative 425 SR(1)(1) Martization offerred financing costs (193) SR(1)(1) Advention prosention (193) SR(1)(1) Sepress. overship (193) SR(1)(1)(1) Sepress. prosention (193) overship (194)<	garage 5B(ii)(5) General	\$3,669								
<pre>SE(1)(1) Amortization of deferred financing costs. SB(1)(3) Release of setricted cash (193) SB(1)(4) Perecision expense. SB(1)(1)(4) Perecessor ownership. Pro Forma other adjustments total</pre>	administrative 5B(ii)(6) Mortgage									425
Costs SB(11)(8) Release of restricted cash (193) SB(11)(10) Pro Forma other adjustments total S3,669 S(549) S(12,796) S(234) S(176) S(182) S636 S(9,277) S(724) S 209 TITEREST DEPREC INTEREST DEPREC INTEREST DEPREC INTEREST DEPREC INTEREST DEPREC INTEREST DEPREC INTEREST DEPREC SB(11)(2) Guidant SB(11)(2) Guidant SB(11)(3) Operation of hotels and garage SB(11)(3) Operation of hotels and garage SB(11)(4) Rental of hotels and garage SB(11)(5) Ceneral and garage SB(11)(7) Amortization of hotels and garage SB(11)(7) Mortization SB(11)(7) Mortization SB(11)(8) Release SD(11)(7) Mortization SB(11)(7) Mortization	5B(ii)(7) Amortization of									
restricted cash (193) SE(11)(19) Depreciation expense SS(11)(149)Predecessor ownership Pro Forma other adjustments total S3,669 \$(549) \$(12,796) \$(234) \$(176) \$(182) \$636 \$(9,277) \$(724) \$209 INTEREST DEPREC- TWEREST EXPENSE 1ATION MINORITY AJUSTMENTS EXPENSE ATION MINORITY AJUSTMENTS SS(11)(1) Assignment of contracts SS(11)(2) Operation of hotels and garage SS(11)(3) Operation of hotels and garage SS(11)(6) Mortpage interest SS(13,821) SS(11)(7) Amortization of hotels and add add add add add add add	costs 5B(ii)(8) Release									
SB(ii)(18) Predecessor ownership Pro Forma other adjustments total PRO FORMA INTEREST DEPREC- INTEREST DEPREC- INTEREST DEPREC- INTEREST DEPREC- INTEREST DEPREC- SB(ii)(1) Assignment of contracts SB(ii)(2) Gpairty investment income SB(ii)(3) Optication of hotels and garage SB(ii)(4) Rental and administrative SB(ii)(5) General and administrative SB(ii)(7) Amortization of of deferred financing costs S(98) S(8)	restricted cash				(193)					
Pro Forma other adjustments total	expense 5B(ii)(10)Predecessor									
adjustments total S3,669 \$(549) \$(12,796) \$(124) \$(182) \$636 \$(9,277) \$(724) \$ 209 INTEREST DEPREC. PRO FORMA ADJUSTMENTS EXPENSE ANORT EXPENSE INTION MINORITY ADJUSTMENTS ASSignment of contracts SB(ii)(1) Assignment investment income. SB(ii)(2) Equity investment income. SB(ii)(3) Operation of hotels and garage SB(ii)(4) Kental of hotels and garage SB(ii)(5) General and addinistrative SB(ii)(6) Mortgage interest. SB(ii)(7) Amortization of deferred financing costs \$(13,821) SB(ii)(7) Amortization of b(ii)(8) Release \$(98)	Pro Forma									
PRO FORMA INTEREST DEPREC- PRO FORMA INTEREST DEPREC- ADJUSTMENTS EXPENSE INTIONNITY ADJUSTMENTS EXPENSE AMORT EXPENSE INTEREST 										
PRO INTEREST EXPENSE LATION MINORITY ADJUSTMENTS EXPENSE AMORT EXPENSE INTEREST 58(ii)(1) Assignment of contracts	total	, ,								
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)	ADJUSTMENTS	INTEREST	EXPENSE IATIO	ON MINOR						
<pre>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)(5) General interest \$(13,821) 5B(ii)(7) Amortization of deferred financing costs \$(98)</pre>	Assignment									
<pre>5B(ii)(3) Operation of hotels and garage 5B(ii)(4) Rental of hotels and garage 5B(ii)(5) General and administrative 5B(ii)(5) Mortgage interest \$(13,821) 5B(ii)(7) Amortization of deferred financing costs \$(98) 5B(ii)(8) Release</pre>	5B(ii)(2) Equity investment									
<pre>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</pre>	5B(ii)(3) Operation 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	garage 5B(ii)(4) Rental									
and administrative 5B(ii)(6) Mortgage interest \$(13,821) 5B(ii)(7) Amortization of deferred financing costs \$(98) 5B(ii)(8) Release	hotels and garage									
<pre>interest \$(13,821) 5B(ii)(7) Amortization of deferred financing costs \$(98) 5B(ii)(8) Release</pre>	and administrative									
5B(ii)(7) Amortization of deferred financing costs \$(98) 5B(ii)(8) Release	interest	\$(13,821)								
financing costs \$(98) 5B(ii)(8) Release	of									
	costs 5B(ii)(8) Release		\$(98)							

restricted cash 5B(ii)(9) Depreciation expense 5B(ii)(10)Predecessor ownership			\$173	\$(4,368)
Pro Forma other adjustments total	\$(13,821) ========	\$(98) =======	\$173 =======	\$(4,368) ========

NOTES AND MANAGEMENT'S ASSUMPTIONS TO THE PRO FORMA CONDENSED CONSOLIDATED FINANCIAL INFORMATION--(CONTINUED)

(DOLLARS IN THOUSANDS)

(1) In connection with the Formation Transaction management contracts will be assigned to the Company. As a result of the assignment, curr expenses and overhead attributable to the co the operations of the Development and Manage below:	e Developmer rent operati ontracts wil	nt and Mar Ing income Il be refi	nagement e, Lected in
Management services General and administrative expenses			
Manager contract income			
 (2) The Operating Partnership will hold a 95% ed Development and Management Company and recor on the \$18 net income. (3) In connection with the Formation Transaction will enter into participating leases for the parking garage. As a result of these agreeme will not be reflected from the operation of (4) Represents rental income from the leasing of garage owned by the Operating Partnership. T are with an affiliate. (5) Reflects an increase of \$425 in general and result of being a public company. (6) Reflects the net decrease in interest expens repayment of a portion of the existing mortor connection with the Offering. The following payable to be outstanding subsequent to the corresponding interest expense incurred for 31, 1997: 	rd an equity ns, the Oper e operation ents, revenu these busin f the hotels fhe hotel le administrat se as a resu gage indebte outlines th Offering ar	v interest rating Pau of the ho he and exp hesses. and park ease arran tive expen- tive expen- edness in emortgag d the	t of \$17 rtnership otels and oenses king ngements nses as a e ge notes
	PRINCIPAL		
	AMOUNT	RATE	INTEREST
PROPERTY(IES)			
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 Newport Office Park	7,969 6,874	8.59% 8.13%	171 140
Hilltop Business Center	4,750	7.00%	82
2002.0000 00.000 00.000000000000	.,		

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.

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.

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				\$(936)						\$ (866)
income 6A(i)(3) Operation of hotels and garage 6A(i)(4) Rental of		\$(2,043)	\$(65,678)		\$66	\$(713)	\$2,754	\$(43,634)	\$ (3,100)	
hotels and garage 6A(i)(5) General and administrative 6A(i)(6) Mortgage	\$22,371									1,700
interest 6A(i)(7) Amortization of deferred financing costs										
6A(i)(8) Release of restricted cash 6A(i)(9) Depreciation expense 6A(i)(10)Predecessor					(771)					
Ownership. Pro Forma other adjustments total			\$(65,678) =======	\$(936)	\$(705)	\$(713) =====	\$2,754 ======	\$(43,634) =======	\$(3,100)	\$ 834 ======
PRO FORMA ADJUSTMENTS	INTERES EXPENSE	T EXPENS AMORT	EXPENSE		ST					
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 6A(i)(7) Amortization of deferred financing	\$(52,70	3)								
costs 6A(i)(8) Release of restricted cash		\$(731)							
6A(i)(9) Depreciation expense 6A(i)(10)Predecessor			\$691							

ownership				\$(19,178)
Pro Forma other adjustments total	\$(52,703) ======	\$(731)	\$691 ======	\$(19,178) =======

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 General and administrative expenses	
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 AMOUNT	RATE	INTEREST
599 Lexington AvenueTwo Independence SquareOne Independence Square2300 N StreetCapital GalleryUnsecured Line of CreditTen Cambridge Center191 Spring StreetBedford Business Park10 & 20 Burlington Mall RoadCambridge Center North Garage91 Hartwell Avenue92 & 100 Hayden AvenueNewport Office ParkHilltop Business Center	\$225,000 122,855 78,700 66,000 60,751 42,983 25,000 23,942 23,500 16,621 15,000 11,322 9,057 7,992 6,874 4,817	$\begin{array}{c} 7.00\% \\ 7.90\% \\ 7.90\% \\ 7.00\% \\ 8.24\% \\ 6.50\% \\ 7.57\% \\ 8.50\% \\ 8.50\% \\ 8.33\% \\ 7.57\% \\ 8.33\% \\ 8.33\% \\ 8.33\% \\ 8.59\% \\ 8.13\% \\ 7.00\% \end{array}$	\$15,750(a) 9,813 6,276 4,620(a) 5,761 964(b) 1,924 1,697 1,998(a) 1,385 1,183 943 754 474 558 318
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
- (a) the interest expense used in this calculation assumes the moltgage 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 for purpose for the Close and another purpose.
- 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)).

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). 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.

Boston, Massachusetts May 1, 1997 /s/ Coopers & Lybrand L.L.P.

COMBINED BALANCE SHEETS

(DOLLARS IN THOUSANDS)

	MARCH 31,	R 31,	
	1997	1996	1995
	(UNAUDITED)		
ASSETS Real estate and equipment: Land and land improvements Buildings and improvements Tenant improvements Furniture, fixtures and equipment Development and construction in process.	702,800 112,160 34,514	34,034 21,585	698,053 101,701 32,831 10,018
Less: accumulated depreciation	(272,077)	1,035,571 (263,911)	1,012,324 (238,514)
Total real estate and equipment Cash and cash equivalents Escrows Tenant and other receivables Accrued rental income Tenant leasing costs net of accumulated amortization of \$30,559, \$29,859 and	776,133 2,980 26,149 12,619 49,464	771,660 8,998 25,474 12,049 49,206	773,810 25,867 27,716 14,362 49,681
<pre>\$26,047 at March 31, 1997, and December 31, 1996 and 1995, respectively Deferred financing costs, net of accumulated amortization of \$23,178, \$22,768 and \$20,772 at March 31, 1997, and</pre>		18,308	18,043
December 31, 1996 and 1995, respectively Prepaid expenses and other assets Investment in Joint Venture	6,037 7,210 433	6,414 4,402 	4,786 8,521
Total assets	\$ 900,063	\$ 896,511 =======	\$ 922,786
LIABILITIES AND OWNERS' EQUITY (DEFICIT) Liabilities: Mortgage notes payable Notes payable-affiliate Accounts payable and accrued expenses Accrued interest payable Rents received in advance, security deposits and other liabilities	28,157 16,469 6,203	22,117 13,795 9,667	5,267 14,367 9,088
Total liabilities Commitments and contingencies Owners' equity (deficit)	1,475,757	1,473,143	1,429,439
Total liabilities and owners' equity (deficit)	\$ 900,063 ======		

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

COMBINED STATEMENTS OF OPERATIONS

(DOLLARS IN THOUSANDS)

	THREE MONTH			YEARS ENDED DECEMBER 31,			
	1997 1996			1996	1995	1994	
	(UNAUDITED		(UNAUDITE				
Revenue: Rental:							
Base rent Recoveries from	\$ 4	1,911	\$	46,446	\$169,420	\$155,614	\$153,101
tenants Parking and other		5,502 989		5,658 802	22,607 2,979	21,124 2,527	21,710 1,914
Total rental							····
revenue		8,402		52,906	195,006	179,265	176,725
Hotel Development and	1	2,796		11,483	65,678	61,320	58,436
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		3,455		66,699	269,933	248,725	244,083
Expenses: Rental:							
Operating		7,107		7,148	29,823	27,142	25,061
Real estate taxes Hotel:		6,898		7,158	28,372	28,279	28,178
Operating		9,277		8,162	43,634	41,501	40,276
Real estate taxes General and		724		673	3,100	2,517	2,477
administrative		2,667		2,633	10,754	10,372	10,123
Interest Interestamortization	2	7,309		26,861	107,121	106,952	95,331
of financing costs Depreciation and		410		499	2,273	1,841	1,942
amortization		8,841		8,720	36,199	33,828	33,112
Total expenses		3,233		61,854	261,276	252,432	236,500
Income (loss) before extraordinary item and							
minority interest in		222		4,845	8,657	(3,707)	7,583
combined partnership		(126)		(57)	(384)	(276)	(412)
Income (loss) before extraordinary item Extraordinary item-loss		96		4,788	8,273	(3,983)	7,171
on early extinguishment of debt					(994)		
Net income (loss)	\$ ========	96	\$	4,788		\$ (3,983) ======	

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

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 \$ Contributions Net income Distributions	24,323 7,171
Balance at December 31, 1994 Contributions Net loss Distributions	(502,230) 44,661 (3,983) (45,101)
Balance at December 31, 1995 Contributions Net income Distributions and conversion of equity to note payable-	(506,653) 33,279 7,279
affiliate	
Balance at December 31, 1996	(576,632)
Contributions (unaudited) Net income (unaudited) Distributions (unaudited)	10,239 96 (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 MON MARCI	THS ENDED H 31,	YEARS EN	ER 31,	
		1996			1994
	(UNAUDITED)	(UNAUDITED)			
Cash flows from operating activities:					
Net income (loss) Adjustments to reconcile net income (loss) to net cash provided by operating activities:	\$96	\$ 4,788	\$ 7,279	\$ (3,983)	\$ 7,171
Depreciation and amortization Amortization of	8,841	8,720	36,199	33,828	33,112
financing costs Accrued rental	410	499	2,273	1,841	1,942
income Effective interest	(258)	1,217	475	(360)	1,252
adjustment Change in operating assets/liabilities:	207	161	644	1,347	3,131
Tenant receivables Escrows Prepaid expenses and	(570) (675)	959 (1,638)		(1,049) 692	
other assets Accounts payable and	(2,808)	2,056	2,777	(360)	1,550
accrued expenses Accrued interest	809	(931)	(1,673)	(2,219)	267
payable Rent received in advance, security	(3,464)	(3,043)	579	1,667	(62)
deposits and other liabilities	(765)	963	3,971		(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 Tenant leasing costs	(12,613) (1,430)	(3,037) (375)	(4,077)	(3,191)	(1,554)
Escrows Change in accounts payable	 1,865		9,525	307	(4,992)
Investment in Joint Venture	(433)				
Cash flows used in investing					
activities	(12,611)	(3,412)	(23,689)		
Cash flows from financing activities:					
Owners' contributions Owners' distributions Proceeds from mortgage	10,239 (9,397)				
notes payable Proceeds (payments) from notes payable			,	1,200	
affiliate Repayment of mortgage	6,040			171	
notes payable Escrows Deferred financing	(2,079) 	(3,536)		(14,641)	
costs Cash flows provided by	(33)	(102)	(3,901)	(801)	(2,572)
(used in) financing activities	4,770	(6,590)	(46,984)	(14,511)	(33,550)
Net increase (decrease) in cash and cash equivalents Cash and cash	(6,018)	3,749	(16,869)	(20,422)	(4,408)
equivalents, beginning of period	8,998	25,866		46,289	
Cash and cash equivalents, end of period Supplemental cash flow	\$ 2,980	\$ 29,615 ======	\$ 8,998 ======	\$ 25,867 ======	\$ 46,289 ======
Supprementar Gash LIOW					

information: Cash paid for interest	\$ 23,845		\$ 23,819 \$107,700 			\$108,618 \$ 95,269			5,269	
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.

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:

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.

1. 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	
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.

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.

REAL ESTATE AND ACCUMULATED DEPRECIATION

DECEMBER 31, 1996 (DOLLARS IN THOUSANDS)

INITIAL COST

PROPERTY NAME	TYPE		LOCATION	ENCUMBRANCES	S LAND	BUILDINGS	COSTS CAPITALIZED SUBSEQUENT TO ACQUISITION	
599 Lexington								
Avenue 2300 N. Street	Office Office	New Y NW, W	'ork, NY /ashington, D	\$430,239 C 100,000	\$81,040 16,509	\$100,507 22,415	\$ 67,459 10,076	
10 & 20 Mall Road 8 Arlington	Office	Burli	ngton, MA	20,215	930	6,928	8,237	
Street	Office	Bosto	on, MA	4,611	90	1,855	133	
32 Hartwell Ave	Office	Lexir	igton, MA	4,222	168	1,943	2,720	
91 Hartwell Ave 195 West Street 191 Spring	Office	Lexir Walth	igton, MA iam, MA	4,222 13,770 5,856	784 758	6,464 5,150	2,720 1,342 2,557	
Ctroot	Office	Lexir	igton, MA	23,942	5,175	27,166	17,693	
201 Spring Street	Office	Lexir	igton, MA		1,500	3,637		
Waltham Office Center	Office	Walth	iam, MA	11,389	422	2,719	2,926	
204 Second			,	2 274		2,402		
Avenue 170 Tracer Lane 33 Hayden Avenue 92 Hayden Avenue	Office	Walth	iam, MA iam, MA	3,374 5,146	37 398	2,402 4,601	630 1,282	
33 Hayden Avenue 92 Hayden Avenue	Office	Lexir	igton, MA		266	3,234	110	
92 Hayden Avenue 100 Hayden	Office	Lexir	igton, MA	11,015	230	3,145	510	
Avenue Lexington Office	Office	Lexir	igton, MA		364	,		
Park Bedford Business Park			ngton, MA ord, MA	15,373 23,500	998 502	1,426 3,403	9,472 12,743	
One Cambridge Center	Office	Cambr	idge, MA	45,000	134	25,110	3,133	
Three Cambridge			0,					
Center Ten Cambridge			idge, MA		174		598	
Center Eleven Cambridge	Office	Cambr	idge, MA	25,000	1,299	12,943	4,420	
Center	Office	Cambr	idge, MA	8,319	121	5,535	392	
Capital Gallery The U.S.	Office	SW, W	lashington DC	60,751	4,725	29,560	7,033	
International								
Commission Building	Office	SW W	lashington DC	50,000	109	22 420	9 293	
	UTTICC	Sw, 1	ashington bo					
Subtotal				\$880,722	\$116,733	\$308,366	\$163,023	
		CAL	GROSS AM RIED AT CLOS					
	LAN	D	BUILDING	DEVELOPMENT AND				DEPRECIABLE
PROPERTY NAME	AND		AND IMPROVEMENTS	CONSTRUCTION		ACCUMULATED DEPRECIATIO		LIVES (YEARS)
599 Lexington	***	0.40		•	#040	• - - - - -		1.4.1
Avenue 2300 N. Street	\$81, 16,		\$167,966 32,491	\$	\$249,006 49,000	\$ 58,567 9,001		
10 & 20 Mall	10,	505	32,431		49,000	3,001	1900	(1)
Road 8 Arlington		939	15,156		16,095	4,474	1984-86	(1)
Street		90	1,988		2,078	770	1860-1920/1989	(1)
32 Hartwell Ave		168	4,663		4,831	2,244		()
91 Hartwell Ave 195 West Street		784 611	7,806 6,854		8,590 8,465	2,081 1,286	1985 1990	()
191 Spring	т,	011	0,034		0,400	1,200	1990	(1)
Street	5,	175	44,859		50,034	8,857	1971/1995	(1)
201 Spring Street				5,137	5,137		1997	N/A
Waltham Office Center		425	5,642		6,067	3,004	1968-70/1987-88	(1)
204 Second Avenue		37	3,032		3,069	1,291	1981/1993	
170 Tracer Lane		37 418	3,032 5,863		3,069 6,281	2,122		• • •
33 Hayden Avenue		266	3,344		3,610	1,517	1979	(1)
92 Hayden Avenue 100 Hayden		230	3,655		3,885	1,294	1968/1984	(1)
Avenue Lexington Office		364	3,867		4,231	1,132	1985	(1)
Park	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 The U.S.	4,725	36,593		41,318	14,192	1981	(1)
International Commission							
Building	1,569	30,253		31,822	10,762	1987	(1)
Subtotal	\$118,221	\$464,764	\$5,137	\$588,122	\$ 149,999		

REAL ESTATE AND ACCUMULATED DEPRECIATION

DECEMBER 31, 1996 (DOLLARS IN THOUSANDS)

INITIAL COST

PROPERTY NAME		LOCATION				COSTS CAPITALIZED SUBSEQUENT TO ACQUISITIONS
Subtotal from previous page			\$ 880,722		\$ 308,366	\$ 163,023
One Independence Square Two Independence	Office	SW, Washington DC	78,700			
Square Montvale Center		SW, Washington DC Gaithersburg, MD	7 992	14,053 1,574	59,883 9,786	8,795 3,433
Democracy Center 7435 Boston		Bethesda, MD	110,100	12,550	59,883 9,786 50,015	18,392
Boulevard, Building One 7451 Boston	Office	Springfield, VA	5,564	392	3,822	1,199
Boulevard, Building Two 7374 Boston Boulevard,	Office	Springfield, VA	2,215	249	1,542	1,460
Building Four 8000 Grainger	Office	Springfield, VA	3,619	241	1,605	462
Court, Building Five 7500 Boston Boulevard,	Office	Springfield, VA	7,664	366	4,282	603
Building Six 7501 Boston Boulevard,	Office	Springfield , VA	6,440	138	3,749	206
Building Seven 7601 Boston Boulevard,	Office	Springfield, VA		665	878	
Building Eight 7600 Boston	Office	Springfield, VA	8,372	200	3,883	453
Boulevard, Building Nine 7375 Boston Boulevard,	Office	Springfield, VA	5,796	127	2,839	1,386
Building Ten 8000 Boston Boulevard,	Office	Springfield, VA		23	2,685	559
Building Eleven	Office	Springfield, VA			3,071	
Subtotal			\$1,240,040	\$ 156,803	\$ 490,107	\$ 214,229

0	ROS	SS	ΑΜΟΙ	JNT	
	A T	~ 1	005	05	DEDTOD

RRIED AT CLOSE OF PERIOD	
--------------------------	--

		C	ARR	IED AT CLO	SE OI	PERIOD					
PROPERTY NAME	IMF	AND	5 IM		CONS IN	PROCESS	TOTAL	DE			
Subtotal from previous page	\$	118,221	\$	464,764	\$	5,137	\$ 588,122	\$	149,999		
One Independence Square Two Independence	\$	9,634	\$	47,593	\$		\$ 57,227	\$	9,556	1991	(1)
Square		15,038		67,693			82,731		9,228 3,384	1992	(1)
Montvale Center		2,399		12,394			14,793		3,384	1987	(1)
Democracy Center 7435 Boston Boulevard,		,		,			80,957		17,710	1985-88	(1)
Building One 7451 Boston Boulevard,		486		4,927			-,		,		(1)
Building Two 7374 Boston Boulevard,		535		2,716			3,251				(1)
Building Four 8000 Grainger Court,		303		2,005			2,308		639	1984	(1)
Building Five 7500 Boston Boulevard,		453		4,798			5,251		1,509	1984	(1)
Building Six 7501 Boston Boulevard,		282		3,811			4,093		1,174	1985	(1)

Building Seven 7601 Boston			1,543	1,543		1997	N/A
Boulevard, Building Eight 7600 Boston	378	4,158		4,536	1,270	1986	(1)
Boulevard, Building Nine 7375 Boston	189	4,163		4,352	1,212	1987	(1)
Boulevard, Building Ten 8000 Boston	47	3,220		3,267	894	1988	(1)
Boulevard, Building Eleven	214	3,081		3,295	629	1989	(1)
Subtotal	\$ 161,874	\$ 692,585	\$ 6,680	\$ 861,139 \$	199,916		

REAL ESTATE AND ACCUMULATED DEPRECIATION

DECEMBER 31, 1996 (DOLLARS IN THOUSANDS)

INITIAL COST

				INTITA		
PROPERTY NAME		LOCATION		S LAND		
Subtotal from Drevious page			\$1,240,040	\$ 156,803	\$ 490,107	\$ 214,229
700 Deeter						
7700 Boston Boulevard,						
Building Twelve	Office	Springfield, VA		\$ 1,105	\$ 1,042	\$
Sugarland Building One	Office	Herndon, VA		735	2,739	
Sugarland	OTITCE	Hernuon, VA		735	2,139	
Building Two	Office	Herndon, VA		834	3,216	
Hilltop Business Center	Office	So. San Francisco,	CA 4,817	53	492	140
L64 Lexington	011100	cor can rrancisco,	4,011	00	402	140
Road	Office	Billerica, MA	1,970	592	1,370	127
25-33 Dartmouth Street	Industrial	Westwood, MA	3,296	273	1,595	470
0-46 Harvard	1111111111		0,200	210	1,000	410
Street	Industrial	Westwood, MA	5,380	351	1,782	1,347
.950 Stanford Court, Building						
)ne	Industrial	Landover, MD	2,662	269	1,554	161
201 Columbia		·····,	,		,	
Park, Building	Tuductudal	Landauan MD	F 000	505	0 740	051
wo 2000 South Club	Industrial	Landover, MD	5,023	505	2,746	951
Drive, Building						
hree	Industrial	Landover, MD	3,542	465	2,125	702
88 Cabot Boulevard	Inductrial	Bucks County DA		329	1 220	1,933
30 Rozzi Place		Bucks County, PA So. San Francisco,		24	,	
60 Forbes		,				
Boulevard	Industrial	So. San Francisco,	CA	48	435	133
391 West Winton Wenue	Industrial	Hayward, CA	1,343	182	1,217	41
.7 Hartwell	Industrial	naywaru, ch	1, 545	102	1,211	41
venue	R&D	Lexington, MA	938	26	150	362
ourteen Cambridge	R&D	Cambridge, MA	6,748	110	4,483	
ong Wharf	παυ	campi tuye, MA	0,748	110	4,483	
larriott	Hotel	Boston, MA	68,600	1,752	37,534	2,216
ambridge Center	Hotel	Cambridge, MA	61,000	478	37,918	3,734
ambridge Center	Garage	Cambridge, MA	15 000	639	11,630	527
	Jai aye	campi tuye, MA	15,000		11,030	
Subtotal			\$1,420,359			

GROSS AMOUNT CARRIED AT CLOSE OF PERIOD

PROPERTY NAME	LAND AND IMPROVEMENTS		DEVELOPMENT AND CONSTRUCTION IN PROCESS			YEAR BUILT/ N RENOVATED	DEPRECIABLE LIVES (YEARS)
Subtotal from previous page	\$ 161,874	\$ 692,585	\$6,680	\$ 861,139	\$ 199,916		
7700 Boston Boulevard, Building Twelve Sugarland Building One Sugarland Building Two Hilltop Business Center 164 Lexington Road 25-33 Dartmouth Street 40-46 Harvard Street 1950 Stanford Court, Building	\$ 53 592 273 351	\$ 632 1,497 2,065 3,129	\$ 2,147 3,474 4,050 	 \$ 2,147 3,474 4,050 685 2,089 2,338 3,480 	 260 39 1,120	1997 1985/1997 1986/1997 early 1970's 1995 1966 1967	N/A N/A (1) (1) (1)
One 6201 Columbia	350	1,634		1,984	444	1986	(1)

Park, Building Two 2000 South Club	960	3,242		4,202	1,186	1986	(1)
Drive, Building							
Three 38 Cabot	859	2,433		3,292	682	1988	(1)
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	110	4,483		4,593	1,569	1983	(1)
Long Wharf							
Marriott	1,752	39,750		41,502	14,527	1982	(1)
Cambridge Center	478	41,652		42,130	10,129	1986	(1)
Cambridge Center							
Ν.	1,163	11,633		12,796	2,000	1990	(1)
Subtotal	\$ 169,424	\$ 810,528	\$ 16,351	\$ 996,303	\$ 238,469	-	

REAL ESTATE AND ACCUMULATED DEPRECIATION

DECEMBER 31, 1996 (DOLLARS IN THOUSANDS)

INITIAL COST -----

PROPERTY NAME			ENCUMBRANCES			CAPIT SUBS		
Subtotal from previous page			\$1,420,359		\$ 603,590		27,140	
Cambridge Master Plan Maryland Master	Development	Cambridge, MA Landover,		\$ 1,722	\$	\$	1,727	
Plan Virginia Master Plan	Development	MD Sprinafield.		464 655				
Total			\$1,420,359	\$ 168,414	\$ 603,590	\$ 22	29,533	
		CARRIED AT CI	AMOUNT _OSE OF PERIO					
			DEVELOPMENT			LATED	YEAR BUILT/	DEPRECIABLE LIVES
PROPERTY NAME	IMPROVEMENTS	5 IMPROVEMENTS	CONSTRUCTIO	TOTAL	DEPREC	IATION	RENOVATED	(YEARS)
Subtotal from previous page	\$ 169,424	\$ 810,528		\$ 996,	303 \$ 238	,469		
Cambridge Master Plan Maryland Master		\$	\$ 3,449				Various	N/A
Plan Virginia Master			464				Various	N/A
Plan			1,321				Various	N/A
Total	\$ 169,424	\$ 810,528	\$ 21,585	\$ 1,001,	537 \$ 238	,469 		

- - - -

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.
 The aggregate cost and accumulated depreciation for tax purposes was \$1,042,317 and \$412,548, respectively at December 31, 1996.

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 Improvements and acquisition/development of real	\$979,493	\$952,374	\$951,693
estate	28,110	29,660	9,397
Write-off of fully depreciated assets		(2,541)	
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,	[Picture of 191 Spring Street,
Washington, D.C., S.W.]	Lexington, Massachusetts]
[Picture of Lexington Office Park,	[Picture of 8000 Grainger Court,
Lexington, Massachusetts]	Springfield, Virginia]
[Picture of 10 & 20 Burlington Mall Road,	[Picture of 6201 Columbia Park Road
Burlington, Massachusetts]	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 2300 N. Street, Washington, D.C., N.W.] [Picture of Montvale Center, Gaithersburg, Maryland]

[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 AU-THORIZED 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 SOLICI-TATION. 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.

SUMMARY TABLE OF CONTENTS

PAGE

Prospectus Summary..... Summary Selected Financial Information..... 16 Risk Factors..... 19 The Company..... 30 Business and Growth Strategies..... 34 Use of Proceeds..... 38 Distributions..... 40 Capitalization..... 44 Dilution..... 46 Selected Financial Information...... Management's Discussion and Analysis of Financial Condition and Results 47 50 of Operations..... Business and Properties..... 56 The Unsecured Line of Credit...... 103 Structure and Formation of the Company.118Operating Partnership Agreement.122Principal Stockholders.126Description of Capital Stock.127 Certain Provisions of Delaware Law and the Company's Certificate and Federal Income Tax Consequences..... 136 Legal Matters...... 151 Additional Information...... 151 Glossary. Index to Financial Statements..... F-1

UNTIL , 1997 (25 DAYS AFTER THE COMMENCEMENT OF THIS OFFERING), ALL DEAL-ERS EFFECTING TRANSACTIONS IN THE SHARES, WHETHER OR NOT PARTICIPATING IN THIS DISTRIBUTION, MAY BE REQUIRED TO DELIVER A PROSPECTUS. THIS DELIVERY REQUIRE-MENT IS IN ADDITION TO THE OBLIGATION OF THE DEALERS TO DELIVER A PROSPECTUS WHEN ACTING AS UNDERWRITERS AND WITH RESPECT TO THEIR UNSOLD ALLOTMENTS OR SUBSCRIPTIONS.

| - | - |
 | - |
 |
 |
 |
 |
 |
 |
 |
 |
 |
 |
 |
 |
 |
 |
 |
- |
|---|---|------|------|------|------|------|------|------|---|------|------|------|------|------|-------|------|-------|------|------|------|------|------|------|------|-------|
| - | - |
 | - |
 |
 |
 |
 |
 |
- |
 |
 |
 |
 |
 |
 |
 |
 |
 |
- |
| - | - |
 | - |
 |
 |
 |
 |
 |
 |
 |
 |
 |
 |
 |
 |
 |
 |
 |
- |
| - | - |
 | _ |
 |
 |
 |
 |
 |
 |
 |
_ |
 |
- |

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 & CO. GOLDMAN, SACHS & CO.

BEAR, STEARNS & CO., INC. MORGAN STANLEY DEAN WITTER PAINEWEBBER INCORPORATED PRUDENTIAL SECURITIES INCORPORATED SMITH BARNEY INC. - -----

PROSPECTUS

SUBJECT TO COMPLETION JUNE 16, 1997 31,400,000 SHARES BOSTON PROPERTIES, INC.

[LOGO OF BOSTON PROPERTIES, INC. APPEARS HERE]

COMMON STOCK

Boston Properties, Inc. 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 Greater Boston, Greater Washington, D.C. and midtown Manhattan. Upon completion of the Offering, the Company will own 75 properties aggregating approximately 11.0 million square feet, 89% of which was developed or redeveloped by the Company. The Company's portfolio consists of 63 office properties (including seven under development), two hotels, nine industrial properties, and one garage property. In addition, the Company will own, have under contract or have options to acquire six parcels of land, which will support approximately 1.0 million square feet of development.

Following the Offering, Mr. Zuckerman will serve as Chairman, Mr. Linde will serve as President and Chief Executive Officer and together they will own a 31.9% economic interest in the Company. The Company is a fully integrated, self-administered and self-managed real estate company and expects to qualify as a real estate investment trust ("REIT") for federal income tax purposes. Upon completion of the Offering, the Company will have a \$300 million unsecured line of credit.

All of the shares of the Common Stock offered hereby are being sold by the Company. Of the 31,400,000 shares of Common Stock being offered hereby, 25,120,000 shares are being offered initially in the United States and Canada by the U.S. Underwriters and 6,280,000 shares are being offered initially outside the United States and Canada by the International Managers. See "Underwriting."

Prior to the Offering, there has been no public market for the Common Stock. It is currently estimated that the initial public offering price will be between \$24.00 and \$26.00 per share. See "Underwriting" for information relating to the factors to be considered in determining the initial public offering price. The Common Stock has been approved for listing on the New York Stock Exchange under the symbol "BXP," subject to official notice of issuance.

SEE "RISK FACTORS" BEGINNING ON PAGE 19 FOR CERTAIN FACTORS RELEVANT TO AN INVESTMENT IN THE COMMON STOCK, INCLUDING:

- . The Company intends to develop commercial properties and its return on such investments can be lower than anticipated because properties can cost more to develop, take longer to develop or lease, or lease for lower rent than anticipated;
- . The Company intends to acquire portfolios or individual properties; such acquisitions may not achieve their intended return;
- . Conflicts of interest exist between the Company and Messrs. Zuckerman and Linde in connection with the formation of the Company and its continuing operations, including with respect to certain restrictions on the Company's ability to sell or transfer four properties, for a period of ten years, without the consent of Messrs. Zuckerman and Linde;
- . The Company relies on key personnel whose continued service is not guaranteed, including Messrs. Zuckerman and Linde;
- . The consideration to be given by the Company for properties at the completion of the Offering may exceed their fair market value; no third-party appraisals were obtained by the Company regarding these properties;
- . The Company has had historical accounting losses for certain fiscal years and could have such losses in the future;
- . Real estate investment and property management are inherently risky as rents can fluctuate and operating costs can increase;
- . The Company may not be able to refinance indebtedness on favorable terms, and interest rates might increase on amounts drawn under the Company's proposed line of credit;
- . If the Company fails to qualify as a REIT, it will be taxed as a regular corporation; and
- . Stockholders' ability to change control of the Company is limited by the Company's organizational documents and Delaware law.

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.

.....

	PUBLIC	UNDERWRITING DISCOUNT(1)	COMPANY(2)	
Per Share		\$	\$	
Total(3)	\$	\$	\$	
 The Company has agreed to indemnif certain liabilities, including lia 1933, as amended. See "Underwritin Before deducting estimated expense The Company has granted the U.S. U 	bilities g." s of \$	under the Secu payable by th	urities Act of ne Company.	se
up to an additional 3,768,000 shar		,	0	ie

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 maters 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 DEAN WITTER PAINEWEBBER INTERNATIONAL 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 (UK) Ltd., Prudential-Bache Securities (U.K.) Inc., 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 (UK) Ltd Prudential-Bache Securities (U.K.) Inc. 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 overallotments, 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 overallotments, 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 750,000 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 any document received by it in connection with the issue or sale 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.

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.

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 AU-THORIZED 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 SOLICI-TATION. 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.

SUMMARY TABLE OF CONTENTS

PAGE

Prospectus Summary..... 1 Summary Selected Financial Information..... 16 Risk Factors..... 19 The Company..... 30 Business and Growth Strategies..... 34 Use of Proceeds..... 38 Distributions..... 40 Capitalization..... 44 Dilution..... 46 Selected Financial Information...... Management's Discussion and Analysis of Financial Condition and Results 47 50 of Operations..... Business and Properties..... 56 The Unsecured Line of Credit...... 103 Structure and Formation of the Company.118Operating Partnership Agreement.122Principal Stockholders.126Description of Capital Stock.127 Certain Provisions of Delaware Law and the Company's Certificate and Federal Income Tax Consequences..... 136 Addītional Information...... 151 152 Glossary. Index to Financial Statements...... F-1

UNTIL , 1997 (25 DAYS AFTER THE COMMENCEMENT OF THIS OFFERING), ALL DEAL-ERS EFFECTING TRANSACTIONS IN THE SHARES, WHETHER OR NOT PARTICIPATING IN THIS DISTRIBUTION, MAY BE REQUIRED TO DELIVER A PROSPECTUS. THIS DELIVERY REQUIRE-MENT IS IN ADDITION TO THE OBLIGATION OF THE DEALERS TO DELIVER A PROSPECTUS WHEN ACTING AS UNDERWRITERS AND WITH RESPECT TO THEIR UNSOLD ALLOTMENTS OR SUBSCRIPTIONS.

-	-		 	 	 	 	-	 	 	 	 -	 	 	-	 	 -	 -	 	 	-	 -	 	-	 	 	 -	 -	 -	 -	
-	-	-	 	 	 	 	-	 	 	 	 -	 	 	-	 	 	 	 	 		 -	 	-	 	 	 -	 -	 -	 -	
-	-	-	 	 	 	 	-	 	 	 	 -	 	 	-	 	 -	 -	 	 	-	 -	 	-	 	 -	 -	 -	 -	 -	
-	_		 	 	 	 		 	 	 	 _	 	 	_	 	 _	 	 	 		 	 		 	 	 -	 	 -	 -	

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 DEAN WITTER PAINEWEBBER INTERNATIONAL 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 30,500
New York Stock Exchange Listing Fee Transfer Agent's and Registrar's Fees	210,600 2,500
Printing Fees	515,000
Legal Fees and Expenses (other than Blue Sky)	2,550,000
Accounting Fees and Expenses Blue Sky Fees and Expenses (including fees of counsel)	1,880,000 2,000
Miscellaneous Expenses	664,000
Total	\$6,128,161

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

II-1

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 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

II-2

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	Form of Shareholder Rights Agreement dated as of June , 1997
	between the Company and BankBoston, N.A., as Rights Agent.
4.2	Form of Certificate of Designation for Series E Junior
	Participating Cumulative Preferred Stock, par value \$.01 per
	share
+4.3	Form of Common Stock Certificate
+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
10.0	therein dated as of April 9, 1997
10.8	Revolving Credit Agreement with BankBoston, N.A.
+10.9	Form of Registration Rights Agreement among the Company and the persons named therein
10 10	
10.10	Form of Lease Agreement dated as of June , 1997 between Edward H. Linde and Mortimer B. Zuckerman, as Trustees of Downtown
	Boston Properties Trust, and ZL Hotel LLC
10.11	Form of Lease Agreement dated as of June , 1997 between Edward
10.11	H. Linde and Mortimer B. Zuckerman, as Trustees of Two Cambridge
	Center Trust, and ZL Hotel LLC
+10.12	Option Agreement between Boston Properties Limited Partnership
.10.12	and Square 36 Properties Limited Partnership dated April 15, 1997
+10.13	Form of Certificate of Incorporation of Boston Properties
10110	Management, Inc.
+10.14	Form of By-laws of Boston Properties Management, Inc.
+10.15	Form of Limited Liability Agreement of ZL Hotel LLC
10.16	Form of Option Agreement to Acquire the Property known as Sumner
	Square
+10.17	Loan Modification Agreement between Lexreal Associates and
	Mitsui Seimei America Corporation relating to loan secured by 599
	Lexington Avenue
+10.18	Loan Modification and Extension Agreement by and between
	Southwest Market Limited Partnership, a District of Columbia
	limited partnership, Mortimer B. Zuckerman and Edward H. Linde
	and the Sumitomo Bank, Limited, for One Independence Square,
	dated as of September 26, 1994
+10.19	Loan Modification and Extension Agreement by and among Southwest
	Market Limited Partnership, a District of Columbia limited
	partnership, Mortimer B. Zuckerman and Edward H. Linde and the
	Sumitomo Bank, Limited, for Two Independence Square, dated as of
	September 26, 1994
+10.20	Construction Loan Agreement by and between the Sumitomo Bank,
	Limited and Southwest Market Limited Partnership, dated as of
	August 21, 1990
+10.21	Construction Loan Agreement by and between the Sumitomo Bank,
	Limited and Southwest Market Limited Partnership for Two
10.00	Independence Square, dated as of February 22, 1991
10.22	Consent and Loan Modification Agreement regarding One
	Independence Square between the Sumitomo Bank, Limited and
10 00	Southwest Market Limited Partnership dated as of June , 1997
10.23	Consent and Loan Modification Agreement regarding Two
	Independence Square between the Sumitomo Bank, Limited and Southwest Market Limited Partnership dated as of June , 1997
+10 24	Form of Amended and Restated Loan Agreement between Square 36
+10.24	Office Joint Venture and the Sanwa Bank Limited dated as of June
	, 1997
+10.25	Indemnification Agreement between Boston Properties Limited
20120	Partnership and Mortimer B. Zuckerman and Edward H. Linde

+21.1 --Schedule of Subs

DESCRIPTION

+21.1	Schedule of Subsidiaries of the Company
23.1	Consent of Coopers & Lybrand, L.L.P.
+23.2	Consent of Spaulding & Slye
23.3	Consent of Insignia/Edward S. Gordon Co., Inc.
23.4	Consent of The Michael Companies, Inc.
23.5	Consent of CB Commercial Real Estate Group, Inc.
23.6	Consent of The Flynn Company
23.7	Consent of Pinnacle Advisory Group
+23.8	Consent of Goodwin, Procter & Hoar llp (included in Exhibits 5.1
	and 8.1)
+23.9	Consent of Mr. Patricof to be named as a proposed director
+23.10	Consent of Mr. Seidenberg to be named as a proposed director
+23.11	Consent of Mr. Turchin to be named as a proposed director
+27.1	Financial Data Schedule

- -----

+ 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.

II-4

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 16 DAY OF JUNE, 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	June 16, 1997
/s/ Edward H. Linde EDWARD H. LINDE	President and Chief Executive Officer, Director (Principal Executive Officer)	June 16, 1997
/s/ David G. Gaw DAVID G. GAW	Chief Financial Officer (Principal Financial Officer and Principal Accounting Officer)	June 16, 1997
	II-5	

EXHIBIT NO.	DESCRIPTION	PAGE
1.1	Form of U.S. Purchase Agreement	
1.1	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	Form of Shareholder Rights Agreement dated as of June , 1997 between the Company and BankBoston, N.A., as Rights Agent	
4.2	Form of Certificate of Designation for Series E Junior Participating Cumulative Preferred Stock, par value \$.01 per share	
+4.3	Form of Common Stock Certificate	
+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 +10.5	Form of Employment and Noncompetition Agreement between the Company and Edward H. Linde Form of Employment Agreement between the Company and	
	certain executive officers	
+10.6 +10.7	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 with BankBoston, N.A.	
+10.9	Form of Registration Rights Agreement among the Company and the persons named therein	
10.10	Form of Lease Agreement dated as of June , 1997 between Edward H. Linde and Mortimer B. Zuckerman, as Trustees of	
10.11	Downtown Boston Properties Trust, and ZL Hotel LLC Form of Lease Agreement dated as of June , 1997 between	
10.11	Edward H. Linde and Mortimer B. Zuckerman, as Trustees of Two Cambridge Center Trust, and ZL Hotel LLC	
+10.12	Option Agreement between Boston Properties Limited Partnership and Square 36 Properties Limited Partnership	
	dated April 15, 1997	
+10.13	Form of Certificate of Incorporation of Boston Properties Management, Inc.	
+10.14	Form of By-laws of Boston Properties Management, Inc.	
+10.15 10.16	Form of Limited Liability Agreement of ZL Hotel LLC Form of Option Agreement to Acquire the Property known as Sumner Square	
+10.17	-Loan Modification Agreement between Lexreal Associates and Mitsui Seimei America Corporation relating to loan secured by 599 Lexington Avenue	
+10.18	Loan Modification and Extension Agreement by and between Southwest Market Limited Partnership, a District of Columbia limited partnership, Mortimer B. Zuckerman and Edward H. Linde and the Sumitomo Bank, Limited, for One Independence Square, dated as of September 26, 1994	
+10.19	Loan Modification and Extension Agreement by and among Southwest Market Limited Partnership, a District of Columbia limited partnership, Mortimer B. Zuckerman and Edward H. Linde and the Sumitomo Bank, Limited, for Two Independence Square, dated as of September 26, 1994	
+10.20	Construction Loan Agreement by and between the Sumitomo Bank, Limited and Southwest Market Limited Partnership, dated as of August 21, 1990	

EXHIBIT NO.	DESCRIPTION
+10.21	Construction Loan Agreement by and between the Sumitomo Bank, Limited and Southwest Market Limited Partnership for Two Independence Square, dated as of February 22, 1991
10.22	Consent and Loan Modification Agreement regarding One Independence Square between the Sumitomo Bank, Limited and Southwest Market Limited Partnership dated as of June , 1997
10.23	Consent and Loan Modification Agreement regarding Two Independence Square between the Sumitomo Bank, Limited and Southwest Market Limited Partnership dated as of June , 1997
+10.24	Form of Amended and Restated Loan Agreement between Square 36 Office Joint Venture and the Sanwa Bank Limited dated as of June , 1997
+10 25	Indomnification Agroement between Posten Properties

--Indemnification Agreement between Boston Properties +10.25 Limited Partnership and Mortimer B. Zuckerman and Edward H. Linde

- 10.26 --Compensation Agreement between the Company and Robert Selsam, dated as of August 10, 1995, relating to 90 Church Street.
- --Schedule of Subsidiaries of the Company --Consent of Coopers & Lybrand, L.L.P. --Consent of Spaulding & Slye +21.1
- 23.1
- +23.2
- 23.3 --Consent of Insignia/Edward S. Gordon Co., Inc.
- 23.4
- 23.5
- 23.6
- 23.7
- --Consent of The Michael Companies, Inc. --Consent of The Michael Companies, Inc. --Consent of CB Commercial Real Estate Group, Inc. --Consent of The Flynn Company --Consent of Pinnacle Advisory Group --Consent of Goodwin, Procter & Hoar LLP (included in Exhibits 5 1 and 8 1) +23.8 Exhibits 5.1 and 8.1)
- +23.9 --Consent of Mr. Patricof to be named as a proposed director
- --Consent of Mr. Seidenberg to be named as a proposed +23.10 director
- --Consent of Mr. Turchin to be named as a proposed director --Financial Data Schedule +23.11 +27.1

+ Previously filed

BOSTON PROPERTIES, INC. (a Delaware corporation)

25,120,000 Shares of Common Stock

U.S. PURCHASE AGREEMENT

Dated: June __, 1997

Page

U.S.			ations and Warranties	1 4
	(a) R	epresentat (i)	ions and Warranties by the Company Compliance with Registration Requirements	4 4
		(ii)	Independent Accountants	5
		(iii)	Financial Statements	5
		(iv)	No Material Adverse Change in Business	6
		(v)	Good Standing of the Company	6
		(vi)	Good Standing of Subsidiaries	6
		(vii)	Good Standing of Property Partnerships	7
		(ix)	Authorization of Agreement	7
		(x)	Authorization and Description of Securities	8
		(xi)	Authorization of the Operating Partnership Agreement	8
		(xiii)	Absence of Defaults and Conflicts	8
		(xiv)	Authorization of the Formation Transaction Documents	10
			Absence of Proceedings	10
		(XV1)		
		(xvii)	Qualification as a REIT	10
		(xviii)	Accuracy of Exhibits	10
		(XIX)	New York Stock Exchange Listing	11
		(xx)	Absence of Further Requirements	11
		(xxi)	Possession of Licenses and Permits	11
		(xxii)	The Properties	11
		(xxiii)	Insurance	12
		(xxiv)	Taxes	12
		(xxv)	Mortgages and Deeds of Trust	12
		(xxvii)	Investment Company Act	13
		(xxviii)	Environmental Laws	13
		(xxix)	Registration Rights	14
	(b) SECTION 2.	Sale and	Certificates Delivery to U.S. Underwriters; Closing	14 14
	(a) (b) (c) (d) SECTION 3.	Initial S Option Se Payment Denominat Covenant	ecurities. curities. ions; Registration. s of the Company.	14 14 15 16 16
	(a) (b) (c)	Filing of	e with Securities Regulations and Commission Requests Amendmentsof Registration Statements	16 16 17

i

(d)	Delivery of Prospectuses Continued Compliance with Securities Laws	17
(e)		17
(f)	Blue Sky Qualifications	18
(g)	Rule 158	18
(h)	Use of Proceeds	18
(i)	Listing	18
(j)	Restriction on Sale of Securities	18
(k)	Lock-up Agreements	19
(1)	Qualification as a REIT	19
(m)	Compliance with NASD Rules	19
(n)	Compliance with Rule 463	19
	Payment of Expenses	19
SECTION 4.	rayment of Lapenses	13
(0)	Expenses	19
(a)		
(b)	Termination of Agreement	20
SECTION 5.	Conditions of U.S. Underwriters' Obligations	20
(a)	Effectiveness of Registration Statement	20
(b)	Opinion of Counsel for Company	20
(c)	Opinion of General Counsel of Company	21
(d)	Opinion of Counsel for U.S. Underwriters	21
(e)	Officers' Certificate	21
(f)	Accountant's Comfort Letter	22
(g)	Bring-down Comfort Letter	22
(h)	Approval of Listing	22
(i)	No Objection	22
(±) (k)	Purchase of Initial International Securities	22
(1)	Conditions to Purchase of U.S. Option Securities	22
(m)	Additional Documents	23
(m) (n)	Termination of Agreement	23
	Indemnification	23
SECTION 6.		24
(a) T udawa		~ 4
	ification of U.S. Underwriters	24
(b)	Indemnification of Company, Directors and Officers	25
(c)	Actions against Parties; Notification	25
(d)	Settlement without Consent if Failure to Reimburse	26
(e)	Indemnification for Reserved Securities	26
SECTION 7.	Contribution	26
SECTION 8.	Representations, Warranties and Agreements to Survive Delivery	28
SECTION 9.	Termination of Agreement	28
(a)	Termination; General	28
(b)	Liabilities	28
SECTION 10	. Default by One or More of the U.S. Underwriters	28
SECTION 11	. Notices	29
SECTION 12	. Parties	29
SECTION 13	. GOVERNING LAW AND TIME	30

ii

SECTION 14.	Effect of Headings
	Sch A-1 Sch B-1

BOSTON PROPERTIES, INC.

(a Delaware corporation)

25,120,000 Shares of Common Stock

(Par Value \$.01 Per Share)

U.S. PURCHASE AGREEMENT

June ___, 1997

MERRILL LYNCH & CO. 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. as U.S. Representatives of the several U.S. Underwriters c/o Merrill Lynch & Co. Merrill Lynch, Pierce, Fenner & Smith Incorporated North Tower World Financial Center New York, New York 10281-1209

Ladies and Gentlemen:

Boston Properties, Inc., a Delaware corporation (the "Company") and Boston Properties Limited Partnership, a Delaware limited partnership (the "Operating Partnership"), each confirms its agreement with Merrill Lynch & Co., Merrill Lynch, Pierce, Fenner & Smith Incorporated ("Merrill Lynch"), Goldman, Sachs & Co. ("Goldman, Sachs") and each of the other U.S. Underwriters named in Schedule A hereto (collectively, the "U.S. Underwriters", which term shall also include any underwriter substituted as hereinafter provided in Section 10 hereof), for whom Merrill Lynch and Goldman, Sachs, Bear, Stearns & Co. Inc., PaineWebber Incorporated, Prudential Securities Incorporated, Smith Barney Inc. are acting as representatives (in such capacity, the "U.S. Representatives"), with respect to the issue and sale by the Company and the purchase by the U.S. Underwriters, acting severally and not jointly, of the respective numbers of shares of Common Stock, par value \$.01 per share, of the Company ("Common Stock") set forth in said Schedule A, and with respect to the grant by the Company to the U.S. Underwriters, acting severally and not jointly, of the option described in Section 2(b) hereof to purchase all or any part of 3,768,000 additional shares of Common Stock to cover over-allotments, if any. The aforesaid 25,120,000 shares of Common Stock (the "Initial U.S. Securities") to be purchased by the U.S. Underwriters and all or any part of the 3,768,000 shares of Common Stock to expression described in Section 2(b) hereof (the "U.S. Option Securities") are hereinafter called, collectively, the "U.S. Securities".

It is understood that the Company and the Operating Partnership are concurrently entering into an agreement dated the date hereof (the "International Purchase Agreement") providing for the offering by the Company of an aggregate of 6,280,000 shares of Common Stock (the "Initial International Securities") through arrangements with certain underwriters outside the United States and Canada (the "International Managers") for which Merrill Lynch International, Goldman Sachs International, Bear, Stearns International Limited, PaineWebber International (UK) Ltd., Prudential-Bache Securities (U.K.) Inc., and Smith Barney Inc. are acting as lead managers (the "Lead Managers") and the grant by the Company to the International Managers, acting severally and not jointly, of an option to purchase all or any part of the International Managers' pro rata portion of up to 942,000 additional shares of Common Stock solely to cover overallotments, if any (the "International Option Securities" and, together with the U.S. Option Securities, the "Option Securities are hereinafter called the "International Securities". It is understood that the Company is not obligated to sell and the U.S. Underwriters are not obligated to purchase, any Initial U.S. Securities unless all of the Initial International Securities are contemporaneously purchased by the International Managers.

The U.S. Underwriters and the International Managers are hereinafter collectively called the "Underwriters", the Initial U.S. Securities and the Initial International Securities are hereinafter collectively called the "Initial Securities", and the U.S. Securities and the International Securities are hereinafter collectively called the "Securities".

The Underwriters will concurrently enter into an Intersyndicate Agreement of even date herewith (the "Intersyndicate Agreement") providing for the coordination of certain transactions among the Underwriters under the direction of Merrill Lynch & Co., Merrill Lynch, Pierce, Fenner & Smith Incorporated and Goldman, Sachs & Co. (in such capacity, the "Global Coordinators").

The Company and the Operating Partnership each understand that the U.S. Underwriters propose to make a public offering of the U.S. Securities as soon as the U.S. Representatives deem advisable after this Agreement has been executed and delivered.

The Company and the U.S. Underwriters agree that up to [750,000] shares of the Initial U.S. Securities to be purchased by the U.S. Underwriters and that up to [] shares of the Initial International Securities to be purchased by the International Managers (collectively, the "Reserved Securities") shall be reserved for sale by the Underwriters to certain eligible

employees and persons having business relationships with the Company, as part of the distribution of the Securities by the Underwriters, subject to the terms of this Agreement, the applicable rules, regulations and interpretations of the National Association of Securities Dealers, Inc. and all other applicable laws, rules and regulations. To the extent that such Reserved Securities are not orally confirmed for purchase by such eligible employees and persons having business relationships with the Company by the end of the first business day after the date of this Agreement, such Reserved Securities may be offered to the public as part of the public offering contemplated hereby.

The Company has filed with the Securities and Exchange Commission (the "Commission") a registration statement on Form S-11 (No. 333-25279) covering the registration of the Securities under the Securities Act of 1933, as amended (the "1933 Act"), including the related preliminary prospectus or prospectuses. Promptly after execution and delivery of this Agreement, the Company will either (i) prepare and file a prospectus in accordance with the provisions of Rule 430A ("Rule 430A") of the rules and regulations of the Commission under the 1933 Act (the "1933 Act Regulations") and paragraph (b) of Rule 424 ("Rule 424(b)") of the 1933 Act Regulations or (ii) if the Company has elected to rely upon Rule 434 ("Rule 434") of the 1933 Act Regulations, prepare and file a term sheet (a "Term Sheet") in accordance with the provisions of Rule 434 and Rule 424(b). Two forms of prospectus are to be used in connection with the offering and sale of the Securities: one relating to the U.S. Securities (the "Form of U.S. Prospectus") and one relating to the International Securities (the "Form of International Prospectus"). The Form of International Prospectus is identical to the Form of U.S. Prospectus, except for the front cover and back cover pages and the information under the caption "Underwriting." The information included in any such prospectus or in any such Term Sheet, as the case may be, that was omitted from such registration statement at the time it became effective but that is deemed to be part of such registration statement at the time it became effective (a) pursuant to paragraph (b) of Rule 430A is referred to as "Rule 430A Information" or (b) pursuant to paragraph (d) of Rule 434 is referred to as "Rule 434 Information." Each Form of U.S. Prospectus and Form of International Prospectus used before such registration statement became effective, and any prospectus that omitted, as applicable, the Rule 430A Information or the Rule 434 Information, that was used after such effectiveness and prior to the execution and delivery of this Agreement, is herein called a "preliminary prospectus." Such registration statement, including the exhibits thereto and schedules thereto at the time it became effective and including the Rule 430A Information and the Rule 434 Information, as applicable, is herein called the "Registration Statement." Any registration statement filed pursuant to Rule 462(b) of the 1933 Act Regulations to register additional shares of Common Stock "Rule 462(b) Registration Statement," and after such filing the term "Registration Statement" shall include the Rule 462(b) Registration Statement. The final Form of U.S. Prospectus and the final Form of International Prospectus in the forms first furnished to the Underwriters for use in connection with the In the robust first furnished to the onderwriters for use in connection with the offering of the Securities are herein called the "U.S. Prospectus" and the "International Prospectus," respectively, and collectively, the "Prospectuses." If Rule 434 is relied on, the terms "U.S. Prospectus" and "International Prospectus" shall refer to the preliminary U.S. Prospectus dated June 10, 1997 and preliminary International Prospectus dated June 10, 1997,

respectively, each together with the applicable Term Sheet, and all references in this Agreement to the date of such Prospectuses shall mean the date of the applicable Term Sheet. For purposes of this Agreement, all references to the Registration Statement, any preliminary prospectus, the U.S. Prospectus, the International Prospectus or any Term Sheet or any amendment or supplement to any of the foregoing shall be deemed to include the copy filed with the Commission pursuant to its Electronic Data Gathering, Analysis and Retrieval system ("EDGAR").

At or prior to Closing Time (as hereinafter defined), the Company will complete a series of transactions (the "Formation Transactions") described in the Prospectuses under the caption "Structure and Formation of the Company--Formation Transactions." As part of the Formation Transactions (i) certain Property Partnerships (as defined in the Registration Statement) will contribute properties to the Operating Partnership, or will merge into the Operating Partnership, in exchange for units of limited partnership of the Operating Partnership ("OP Units"), (ii) certain persons will contribute their direct and indirect interests in certain Property Partnerships to the Operating Partnership or its designee in exchange for OP Units, (iii) the Company will contribute a portion of its third-party management business to Boston Properties Management, Inc. (the "Development and Management Company"), a subsidiary of the Operating Partnership, in exchange for OP Units, and (iv) the Company will contribute the net proceeds from the public offering of the Securities to the Operating Partnership in exchange for OP Units.

SECTION 1. Representations and Warranties.

(a) Representations and Warranties by the Company. The Company and the Operating Partnership each severally represents and warrants to each U.S. Underwriter as of the date hereof, as of the Closing Time referred to in Sect.

Underwriter as of the date hereof, as of the Closing Time referred to in Section 2(c) hereof, and as of each Date of Delivery (if any) referred to in Section 2(b), hereof and agrees with each U.S. Underwriter, as follows:

(i) Compliance with Registration Requirements. Each of the

Registration Statement and any Rule 462(b) Registration Statement has become effective under the 1933 Act and no stop order suspending the effectiveness of the Registration Statement or any Rule 462(b) Registration Statement has been issued under the 1933 Act and no proceedings for that purpose have been instituted or are pending or, to the knowledge of the Company, are contemplated by the Commission, and any request on the part of the Commission for additional information has been complied with.

At the respective times the Registration Statement, any Rule 462(b) Registration Statement and any post-effective amendments thereto became effective and at the Closing Time (and, if any U.S. Option Securities are purchased, at the Date of Delivery), the Registration Statement, the Rule 462(b) Registration Statement and any amendments and supplements thereto complied and will comply in all material respects with the requirements of the 1933 Act and the 1933 Act Regulations and did not and will not contain 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 not supplement thereto or prospectuses, any preliminary prospectuses and any supplement thereto or prospectus wrapper prepared in connection therewith, at their respective times of issuance and at the Closing Time, complied and will comply in all material respects with any applicable laws or regulations of foreign jurisdictions in which the Prospectuses and such preliminary prospectuses, as amended or supplemented, if applicable, are distributed in connection with the offer and sale of Reserved Securities. Neither of the Prospectuses nor any amendments or supplements thereto (including any prospectus wrapper), at the time the Prospectuses or any amendments or supplements thereto were issued and at the Closing Time (and, if any U.S. Option Securities are purchased, at the Date of Delivery), included or will include an untrue statement of a material fact or omitted or will omit to state a material fact necessary in order to make the statements therein, in the light of the circumstances under which they were made, not misleading. If Rule 434 is used, the Company will comply with the requirements of Rule 434 and the Prospectuses shall not be "materially different", as such term is used in Rule 434, from the prospectuses included in the Registration Statement at the time it became effective. The representations and warranties in this subsection shall not apply to statements in or omissions from the Registration Statement or the U.S. Prospectus made in reliance upon and in conformity with information furnished to the Company in writing by any U.S. Underwriter through the U.S. Representatives expressly for use in the Registration Statement or the U.S. Prospectus.

Each preliminary prospectus and the prospectuses filed as part of the Registration Statement as originally filed or as part of any amendment thereto, or filed pursuant to Rule 424 under the 1933 Act, complied when so filed in all material respects with the 1933 Act Regulations and each preliminary prospectus and the Prospectuses delivered to the Underwriters for use in connection with this offering was identical to the electronically transmitted copies thereof filed with the Commission pursuant to EDGAR, except to the extent permitted by Regulation S-T.

(ii) Independent Accountants. The accountants who certified the

financial statements and supporting schedules included in the Registration Statement are independent public accountants as required by the 1933 Act and the 1933 Act Regulations.

(iii) Financial Statements. The combined financial statements

included in the Registration Statement and the Prospectuses, together with the related schedules and notes, present fairly the financial position of the Boston Properties Predecessor Group (as defined in the Registration Statement) at the dates indicated, and the combined statements of operations, owners' equity and cash flows of the Boston Properties Predecessor Group for the periods specified; said financial statements have been prepared in conformity with generally accepted accounting principles ("GAAP") applied on a consistent basis throughout the periods involved. The supporting schedules included in the Registration Statement present fairly in accordance with GAAP the information

required to be stated therein. The unaudited pro forma condensed consolidated financial statements and the related notes thereto included in the Registration Statement and the Prospectuses present fairly the information shown therein, have been prepared in accordance with the Commission's rules and guidelines with respect to pro forma financial statements and have been properly compiled on the bases described therein, and the assumptions used in the preparation thereof are reasonable and the adjustments used therein are appropriate to give effect to the transactions and circumstances referred to therein. The selected financial data and the summary financial information included in the Prospectuses present fairly the information shown therein and have been compiled on a basis consistent with that of the audited financial statements included in the Registration Statement. Other than the historical and pro forma financial statements (and schedules) included in the Registration Statement and Prospectuses, no other historical or pro forma financial statements (or schedules) are required by the 1933 Act or the 1933 Act Regulations to be included therein.

(iv) No Material Adverse Change in Business. Since the

respective dates as of which information is given in the Registration Statement and the Prospectuses, except as otherwise stated therein, (A) there has been no material adverse change in the condition, financial or otherwise, or in the earnings, business affairs or business prospects of the Company, the Operating Partnership and the Subsidiaries (as hereinafter defined) considered as one enterprise, whether or not arising in the ordinary course of business (a "Material Adverse Effect"), (B) no material casualty loss or material condemnation or other material adverse event with respect to any of the properties set forth in Schedule C hereto has occurred, (C) there have been no transactions entered into by the Company, the Operating Partnership or any of the Subsidiaries, other than those in the ordinary course of business, which are material with respect to the Company, the Operating Partnership and the Subsidiaries considered as one enterprise, and (D) there has been no dividend or distribution of any kind declared, paid or made by the Company on any class of its capital stock or by the Operating Partnership or any of its Subsidiaries with respect to its partnership interests or any class of its capital stock.

$\left(\nu\right)$ Good Standing of the Company. The Company has been duly

organized and is validly existing as a corporation in good standing under the laws of the State of Delaware and has corporate power and authority to own, lease and operate its properties and to conduct its business as described in the Prospectuses and to enter into and perform its obligations under this Agreement; and the Company is duly qualified as a foreign corporation to transact business and is in good standing in each other jurisdiction in which such qualification is required, whether by reason of the ownership or leasing of property or the conduct of business, except where the failure so to qualify or to be in good standing would not result in a Material Adverse Effect.

(vi) Good Standing of Subsidiaries. Each of the subsidiaries of

the Company, including without limitation the Operating Partnership and the Development and Management Company, (each a "Subsidiary" and, collectively, the "Subsidiaries")

has been duly organized and is validly existing as a general or limited partnership or corporation, as the case may be, in good standing (in the case of corporations and limited partnerships) under the laws of the jurisdiction of its organization, has partnership or corporate power and authority, as the case may be, to own, lease and operate its properties and to conduct its business as described in the Prospectuses and is duly qualified as a foreign partnership or corporation to transact business and is in good standing in each jurisdiction in which such qualification is required, whether by reason of the ownership or leasing of property or the conduct of business, except where the failure so to qualify or to be in good standing would not result in a Material Adverse Effect; all of the issued and outstanding capital stock of each of the Subsidiaries that is a corporation has been duly authorized and validly issued, is fully paid and non-assessable, and all of the partnership interests in each Subsidiary that is a partnership are validly issued and fully paid; except as otherwise disclosed in the Registration Statement, all such shares and interests, as the case may be, are owned by the Company, directly or through Subsidiaries, free and clear of any security interest, mortgage, pledge, lien, encumbrance, claim or equity; none of the outstanding shares of capital stock or partnership interests of any Subsidiary was issued in violation of the preemptive or similar rights of any securityholder of such Subsidiary.

(vii) Good Standing of Property Partnerships. Each of the

Property Partnerships (as defined in the Registration Statement) has been duly organized and is validly existing as a general or limited partnership, in good standing (in the case of limited partnerships) under the laws of the jurisdiction of its organization, has partnership power and authority, to own, lease and operate its properties, to conduct its business as described in the Prospectuses and to enter into and perform its respective obligations under the Formation Transaction Documents and is duly qualified as a foreign partnership to transact business and is in good standing in each jurisdiction in which such qualification is required, whether by reason of the ownership or leasing of property or the conduct of business, except where the failure so to qualify or to be in good standing would not result in a Material Adverse Effect; all of the partnership interests in each Property Partnership are validly issued and fully paid; none of the outstanding partnership interests of any Property Partnership was issued in violation of the preemptive or similar rights of any securityholder of such Property Partnership.

(viii) Capitalization. The authorized capital stock of the

Company is as set forth in the Prospectuses under the caption "Description of Capital Stock" and the issued and outstanding capital stock of the Company, as of the Closing Time, will be as set forth in the Prospectuses under the caption "Capitalization." The shares of issued and outstanding capital stock of the Company have been duly authorized and validly issued and are fully paid and non-assessable; none of the outstanding shares of capital stock of the Company was issued in violation of the preemptive or other similar rights of any securityholder of the Company.

(ix) Authorization of Agreement. This Agreement and the

International Purchase Agreement have been duly authorized, executed and delivered by the Company and the Operating Partnership.

(x) Authorization and Description of Securities. The

Securities to be purchased by the U.S. Underwriters and the International Managers from the Company have been duly authorized for issuance and sale to the U.S. Underwriters pursuant to this Agreement and the International Managers pursuant to the International Purchase Agreement, respectively, and, when issued and delivered by the Company pursuant to this Agreement and the International Purchase Agreement, respectively, against payment of the consideration set forth herein and the International Purchase Agreement, respectively, will be, as of the Closing Time, validly issued, fully paid and non-assessable; the Common Stock conforms, in all material respects, to all statements relating thereto contained in the Prospectuses and such description conforms, in all material respects, to the rights set forth in the instruments defining the same; no holder of the Securities will be subject to personal liability by reason of being such a holder; and the issuance of the Securities is not subject to the preemptive or other similar rights of any securityholder of the Company; the Company has duly reserved a sufficient number of shares of Common Stock for issuance upon exchange of outstanding OP Units in accordance with the Operating Partnership Agreement (as defined below).

(xi) Authorization of the Operating Partnership Agreement.

The Amended and Restated Limited Partnership Agreement of the Operating Partnership (the "Operating Partnership Agreement") has been duly and validly authorized, executed and delivered by the parties thereto.

(xii) Authorization and Description of OP Units. The OP Units

to be issued in connection with the Formation Transactions, including, without limitation, the OP Units to be issued to the Company, have been duly authorized for issuance by the Operating Partnership to the holders or prospective holders thereof, and at Closing Time will be validly issued, and fully paid and owned in the percentage amounts set forth in the Prospectuses by the Company and by the entities or persons described in the Prospectuses. The OP Units have been and will be offered, issued and sold at or prior to Closing Time in compliance with all applicable laws (including, without limitation, federal and state securities laws).

(xiii) Absence of Defaults and Conflicts. Neither the Company

nor any of its Subsidiaries is in violation of its charter or by-laws or in default in the performance or observance of any obligation, agreement, covenant or condition contained in any contract, indenture, mortgage, deed of trust, loan or credit agreement, note, lease or other agreement or instrument to which the Company or any of its Subsidiaries is a party or by which it or any of them may be bound, or to which any of the property or assets of the Company or any Subsidiary is subject (collectively, "Agreements and Instruments") except for such defaults that would not result in a Material Adverse Effect;

and the execution, delivery and performance of this Agreement and the International Purchase Agreement and the consummation of the transactions contemplated in this Agreement, the International Purchase Agreement and the Registration Statement (including the completion of the Formation Transactions, the issuance and sale of the Securities and the use of the proceeds from the sale of the Securities as described in the Prospectuses under the caption "Use of Proceeds") and compliance by the Company and the Operating Partnership with their obligations under this Agreement and the International Purchase Agreement have been duly authorized by all necessary corporate or partnership action, as the case may be, and (except as contemplated by the Prospectuses) do not and will not, whether with or without the giving of notice or passage of time or both, conflict with or constitute a breach of, or default or Repayment Event (as defined below) under, or result in the creation or imposition of any lien, charge or encumbrance upon any property or assets of the Company or any Subsidiary pursuant to, the Agreements and Instruments or violations of any applicable law, statute, rule, regulation, judgment, order, writ or decree of any government, government instrumentality or court, domestic or foreign, having jurisdiction over the Company or any Subsidiary or any of their assets, properties or operations (except for such conflicts, breaches or defaults or liens, charges, encumbrances or violations that would not result in a Material Adverse Effect), nor will such action result in any violation of the provisions of the charter or by-laws of the Company or any Subsidiary. As used herein, a "Repayment Event" means any event or condition which gives the holder of any note, debenture or other evidence of indebtedness (or any person acting on such holder's behalf) the right to require the repurchase, redemption or repayment of all or a portion of such indebtedness by the Company or any Subsidiary.

Consummation of the Formation Transactions and compliance by the Company, its Subsidiaries and the Property Partnerships with their respective obligations under each of the documents relating thereto (collectively, the "Formation Transaction Documents") have been duly authorized by all necessary corporate or partnership action of such entities, as the case may be, and (except as contemplated by the Prospectuses) did not and will not violate or conflict with or constitute a breach of, or default under, or result in the creation or imposition of any lien, charge or encumbrance upon any of the Properties (as defined in the Registration Statement) or any other properties or assets of the Company or any of the Subsidiaries pursuant to any contract, indenture, mortgage, deed of trust, loan or credit agreement, note, lease or other agreement or instrument, including without limitation, any partnership agreement, to which the Company, any of the Subsidiaries or any Property Partnership is or was a party or by which it or any of them may be bound or affected, or to which any of the Properties or any other properties or assets of the Company or any of its Subsidiaries is subject (except for such violations, conflicts, breaches, defaults, liens, charges or encumbrances that would not result in a Material Adverse Effect); none of the Formation Transactions resulted or will result in the violation of any provisions of the charter, by-laws, partnership agreements or other governing document of the Company, any of the Subsidiaries or any Property Partnership (except in each case as may have been waived

by all applicable parties), or any applicable law, administrative regulation or administrative or court decree (except for such violations of any applicable law, administrative regulation or administrative or court decree that would not result in a Material Adverse Effect); all authorizations, consents and approvals necessary to consummate the Formation Transactions were timely obtained; and the offer, issuance and exchange of the OP Units and general partnership interests in the Operating Partnership, the issuance and sale by the Company of Common Stock prior to the date hereof will be exempt from the registration requirements of the 1933 Act and applicable state securities laws. At or prior to Closing Time, each of the Formation Transactions will have occurred, in all material respects, in the manner described in the Prospectuses.

$({\tt xiv})$ $% ({\tt Authorization})$ Authorization of the Formation Transaction Documents.

Each of the Formation Transaction Documents to which the Company, any of the Subsidiaries, any of the Property Partnerships or any affiliate of any such entity is a party has been duly authorized, executed and delivered by such party.

(xv) Absence of Labor Dispute. No material labor dispute

with the employees of the Company or any Subsidiary exists or, to the knowledge of the Company, is imminent.

(xvi) Absence of Proceedings. There is no action, suit,

proceeding, inquiry or investigation before or brought by any court or governmental agency or body, domestic or foreign, now pending, or, to the knowledge of the Company, threatened, against or affecting the Company or any Subsidiary, which is required to be disclosed in the Registration Statement (other than as disclosed therein), or which might reasonably be expected to result in a Material Adverse Effect, or which might reasonably be expected to materially and adversely affect the Properties or assets thereof or the consummation of the transactions contemplated in this Agreement, the International Purchase Agreement and the Formation Transaction Documents or the performance by the parties of their obligations hereunder or thereunder; the aggregate of all pending legal or governmental proceedings to which the Company or any Subsidiary is a party or of which any of their respective property or assets, including without limitation the Properties, is the subject which are not described in the Registration Statement, including ordinary routine litigation incidental to the business, could not reasonably be expected to result in a Material Adverse Effect.

(xvii) Qualification as a REIT. Commencing with the taxable

year ending December 31, 1997, the Company will be organized in conformity with the requirements for qualification as a real estate investment trust (a "REIT") under the Internal Revenue Code 1986, as amended (the "Code"), and its proposed method of operation will enable it to meet the requirements for taxation as a REIT under the Code. documents which are required to be described in the Registration Statement or the Prospectuses or to be filed as exhibits thereto which have not been so described and filed as required.

(xix) New York Stock Exchange Listing. The Common Stock has

been approved for listing on the New York Stock Exchange, subject to official notice of issuance.

(xx) Absence of Further Requirements. No filing with, or

authorization, approval, consent, license, order, registration, qualification or decree of, any court or governmental authority or agency is necessary or required for the performance by the Company and the Operating Partnership of their obligations hereunder, in connection with the offering, issuance or sale of the Securities under this Agreement and the International Purchase Agreement or the consummation of the transactions contemplated by this Agreement, the International Purchase Agreement and the Formation Transaction Documents, except (i) such as have been already obtained or as may be required under the 1933 Act or the 1933 Act Regulations and foreign or state securities or blue sky laws, (ii) such as have been obtained under the laws and regulations of jurisdictions outside the United States in which the Reserved Securities are offered and (iii) state filings in connection with the Formation Transactions (which state filings will be made prior to or at the Closing Time).

$(\ensuremath{\mathsf{xxi}})$ Possession of Licenses and Permits. The Company and its

Subsidiaries possess such permits, licenses, approvals, consents and other authorizations (collectively, "Governmental Licenses") issued by the appropriate federal, state, local or foreign regulatory agencies or bodies necessary to conduct the business now operated by them; the Company and its subsidiaries are in compliance with the terms and conditions of all such Governmental Licenses, except where the failure so to comply would not, singly or in the aggregate, have a Material Adverse Effect; all of the Governmental Licenses are valid and in full force and effect, except when the invalidity of such Governmental Licenses or the failure of such Governmental Licenses to be in full force and effect would not have a Material Adverse Effect; and neither the Company nor any of its Subsidiaries has received any notice of proceedings relating to the revocation or modification of any such Governmental Licenses which, singly or in the aggregate, if the subject of an unfavorable decision, ruling or finding, would result in a Material Adverse Effect.

(xxii) The Properties. (a) Upon consummation of the Formation

Transactions, the Operating Partnership and the Subsidiaries will have good and marketable title in fee simple to all of the Properties and good and marketable title to all other real properties owned by them, in each case, free and clear of all mortgages, pledges, liens, security interests, claims, restrictions or encumbrances of any kind except such as (i) are described in the Prospectuses or (ii) do not, singly or in the aggregate, materially affect the value of such property and do not interfere with the use made and

proposed to be made of such property by the Company or any of its Subsidiaries; (b) all mortgages, pledges, liens, security interests, claims, restrictions or encumbrances on or affecting the properties and assets (including without limitation the Properties) of the Company or any of the Subsidiaries that are required to be disclosed in the Prospectuses are disclosed therein; (c) neither the Company nor the Operating Partnership knows of any violation of any municipal, state or federal law, rule or regulation (including those pertaining to environmental matters) concerning the Properties or any part thereof which would, upon consummation of the Formation Transactions, have a Material Adverse Effect; (d) each of the Properties complies with all applicable zoning laws, ordinances, regulations and deed restrictions or other covenants in all material respects and, if and to the extent there is a failure to comply, such failure does not result in a Material Adverse Effect and will not result in a forfeiture or reversion of title; (e) none of the Company, any Subsidiary nor any Property Partnership has received from any governmental authority any written notice of any condemnation of or zoning change affecting the Properties or any part thereof, and none of the Company, any Subsidiary nor any Property Partnership knows of any such condemnation or zoning change which is threatened and which if consummated would have a Material Adverse Effect; and (f) no lessee of any portion of any of the Properties is in default under any of the leases governing such Properties and there is no event which, but for the passage of time or the giving of notice or both, would constitute a default under any of such leases, except such defaults that would not have a Material Adverse Effect.

(xxiii) Insurance. Upon consummation of the Formation

Transactions, the Company and each of the Subsidiaries will be insured by insurers of recognized financial responsibility against such losses and risks and in such amounts as are prudent and customary in the businesses in which they will be engaged; and neither the Company nor any of the Subsidiaries has any reason to believe that any of them will not be able to renew its existing insurance coverage as and when such coverage expires or to obtain similar coverage from similar insurers as may be necessary to continue its business.

(xxiv) Taxes. The Company and each of the Subsidiaries has

filed all material foreign, federal, state and local tax returns that are required to be filed or have requested extensions thereof (except in any case in which the failure so to file would not, upon consummation of the Formation Transactions, have a Material Adverse Effect) and has paid all taxes required to be paid by it and any other assessment, fine or penalty levied against it, to the extent that any of the foregoing is due and payable, except for any such assessment, fine or penalty that is currently being contested in good faith or as described in or contemplated by the Prospectuses.

(xxv) Mortgages and Deeds of Trust. Except as set forth in

the Registration Statement and the Prospectuses, the mortgages and deeds of trust encumbering the properties and assets described in the Prospectus are not convertible and neither the Company, any of its Subsidiaries, any Property Partnership, nor any person affiliated therewith holds a participating interest therein, and such mortgages and deeds

of trust are not cross-defaulted or cross-collateralized to any property not owned directly or indirectly by the Company or any of its Subsidiaries.

(xxvi) Compliance with Cuba Act. The Company has complied

with, and is and will be in compliance with, the provisions of that certain Florida act relating to disclosure of doing business with Cuba, codified as Section 517.075 of the Florida statutes, and the rules and regulations thereunder (collectively, the "Cuba Act") or is exempt therefrom.

(xxvii) Investment Company Act. The Company and the Operating

Partnership are not, and upon the issuance and sale of the Securities as herein contemplated and the application of the net proceeds therefrom as described in the Prospectuses will not be, an "investment company" as such term is defined in the Investment Company Act of 1940, as amended (the "1940 Act").

(xxviii) Environmental Laws. Except as otherwise disclosed in

the Prospectuses or in the Phase I Environmental Site Assessments and Asbestos Survey Reports previously delivered to the U.S. Representatives and International Managers or their counsel (the "Environmental Reports"), (i) the Company, its Subsidiaries and the Property Partnerships have been and are in compliance with applicable Environmental Statutes; (ii) neither the Company, any of the Subsidiaries, the Property Partnerships, nor, to the best knowledge of the Company, any other owners of the property at any time or any other party has at any time released (as such term is defined in Section 101(22) of CERCLA (as hereinafter defined)) or otherwise disposed of or dealt with, Hazardous Materials (as hereinafter defined) on, to or from the Properties, except for such releases as would not be reasonably likely to cause the Company to incur material liability that would require disclosure pursuant to federal or state laws regulating the issuance of securities; (iii) the Company does not intend to use the Properties or any subsequently acquired properties, other than in compliance with applicable Environmental Statutes (as hereinafter defined), (iv) neither the Company nor any of the Subsidiaries knows of any seepage, leak, discharge, release, emission, spill, or dumping of Hazardous Materials into waters (including, but not limited, to groundwater and surface water) on, beneath or adjacent to the Properties or onto lands from which Hazardous Materials might seep, flow or drain into such waters; (v) neither the Company nor any of the Subsidiaries has received any notice of, or has any knowledge of any occurrence or circumstance which, with notice or passage of time or both, would give rise to a claim under or pursuant to any Environmental Statute or common law with respect to the Properties or the assets described in the Prospectus or arising out of the conduct of the Company, its Subsidiaries, or the Property Partnerships, except for such claims that would not be reasonably likely to cause the Company to incur material liability that would require disclosure pursuant to federal or state laws regulating the issuance of securities; (vi) neither the Properties nor any other land owned by the Company or any of the Subsidiaries is included or, to the best of the Company's knowledge, proposed for inclusion on the National Priorities List issued pursuant to CERCLA by the United States

Environmental Protection Agency (the "EPA") or to the best of the Company's knowledge, proposed for inclusion on any similar list or inventory issued pursuant to any other Environmental Statute or issued by any other Governmental Authority (as hereinafter defined).

As used herein, "Hazardous Material" shall include, without limitation any flammable explosives, radioactive materials, hazardous materials, hazardous wastes, toxic substances, or related materials, asbestos or any hazardous material as defined by any federal, state or local environmental law, ordinance, rule or regulation including, without limitation, the Comprehensive Environmental Response, Compensation, and Liability Act of 1980, as amended, 42 U.S.C. (S)(S) 9601-9675 ("CERCLA"), the Hazardous Materials Transportation Act, as amended, 49 U.S.C. (S)(S) 1801-1819, the Resource Conservation and Recovery Act, as amended, 42 U.S.C. (S)(S) 6901-K, the Emergency Planning and Community Right-to-Know Act of 1986, 42 U.S.C. (S)(S) 11001-11050, the Toxic Substances Control Act, 15 U.S.C. (S)(S) 12601-2671, the Federal Insecticide, Fungicide and Rodenticide Act, 7 U.S.C. (S)(S) 136-136y, the Clean Air Act, 42 U.S.C. (S)(S) 7401-7642, the Clean Water Act (Federal Water Pollution Control Act), 33 U.S.C. (S)(S) 1251-1387, the Safe Drinking Water Act, 42 U.S.C. (S)(S) 651-678, as any of the above statutes may be amended from time to time, and in the regulations promulgated pursuant to each of the foregoing (including environmental statues not specifically defined herein) (individually, an "Environmental Statute" and collectively "Environmental Statutes") or by any federal, state or local governmental authority having or claiming jurisdiction over the properties and assets described in the Prospectus (a "Governmental Authority").

(xxix) Registration Rights. Except as described in the

Registration Statement, there are no persons with registration rights or other similar rights to have any securities registered pursuant to the Registration Statement or otherwise registered by the Company under the 1933 Act.

(b) Officer's Certificates. Any certificate signed by any officer of the Company or any of its subsidiaries delivered to the Global Coordinators, the U.S. Representatives or to counsel for the U.S. Underwriters shall be deemed a representation and warranty solely by the Company to each U.S. Underwriter as to the matters covered thereby.

SECTION 2. Sale and Delivery to U.S. Underwriters; Closing.

(a) Initial Securities. On the basis of the representations and warranties herein contained and subject to the terms and conditions herein set forth, the Company agrees to sell to each U.S. Underwriter, severally and not jointly, and each U.S. Underwriter, severally and not jointly, agrees to purchase from the Company, at the price per share set forth in Schedule B, the number of Initial U.S. Securities set forth in Schedule A opposite the name of such U.S.

Underwriter, plus any additional number of Initial U.S. Securities which such Underwriter may become obligated to purchase pursuant to the provisions of Section 10 hereof.

(b) Option Securities. In addition, on the basis of the representations and warranties herein contained and subject to the terms and conditions herein set forth, the Company hereby grants an option to the U.S. Underwriters, severally and not jointly, to purchase up to an additional 3,540,000 shares of Common Stock at the price per share set forth in Schedule B, less an amount per share equal to any dividends or distributions declared by the Company and payable on the Initial U.S. Securities but not payable on the U.S. Option Securities. The option hereby granted will expire 30 days after the date hereof and may be exercised in whole or in part from time to time only for the purpose of covering over-allotments which may be made in connection with the offering and distribution of the Initial U.S. Securities upon notice by the Global Coordinators to the Company setting forth the number of U.S. Option Securities as to which the several U.S. Underwriters are then exercising the option and the time and date of payment and delivery for such U.S. Option Securities. Any such time and date of delivery for the U.S. Option Securities (a "Date of Delivery") shall be determined by the Global Coordinators, but shall not be earlier than two nor later than seven full business days after the exercise of said option, nor in any event prior to the Closing Time, as hereinafter defined. If the option is exercised as to all or any portion of the U.S. Option Securities, each of the U.S. Underwriters, acting severally and not jointly, will purchase that proportion of the total number of U.S. Option Securities then being purchased which the number of Initial U.S. Securities set forth in Schedule A opposite the name of such U.S. Underwriter bears to the total number of Initial U.S. Securities, subject in each case to such adjustments as the Global Coordinators in its discretion shall make to eliminate any sales or purchases of fractional shares

(c) Payment. Payment of the purchase price for, and delivery of certificates for, the Initial Securities shall be made at the offices of Goodwin, Procter & Hoar LLP, Exchange Place, Boston, Massachusetts, or at such other place as shall be agreed upon by the Global Coordinators and the Company, at 9:00 A.M. (Eastern time) on the third (fourth, if the pricing occurs after 4:30 P.M. (Eastern time) on any given day) business day after the date hereof (unless postponed in accordance with the provisions of Section 10), or such other time not later than ten business days after such date as shall be agreed upon by the Global Coordinators and the Company (such time and date of payment and delivery being herein called "Closing Time").

In addition, in the event that any or all of the U.S. Option Securities are purchased by the U.S. Underwriters, payment of the purchase price for, and delivery of certificates for, such U.S. Option Securities shall be made at the above-mentioned offices, or at such other place as shall be agreed upon by the Global Coordinators and the Company, on each Date of Delivery as specified in the notice from the Global Coordinators to the Company.

Payment shall be made to the Company by wire transfer of immediately available funds to a bank account designated by the Company, against delivery to the U.S. Representatives for the respective accounts of the U.S. Underwriters of certificates for the U.S. Securities to be purchased by them. It is understood that each U.S. Underwriter has authorized the U.S.

Representatives, for its account, to accept delivery of, receipt for, and make payment of the purchase price for, the Initial U.S. Securities and the U.S. Option Securities, if any, which it has agreed to purchase. Merrill Lynch, individually and not as representative of the U.S. Underwriters, may (but shall not be obligated to) make payment of the purchase price for the Initial U.S. Securities or the U.S. Option Securities, if any, to be purchased by any U.S. Underwriter whose funds have not been received by the Closing Time or the relevant Date of Delivery, as the case may be, but such payment shall not relive such U.S. Underwriter from its obligations hereunder.

(d) Denominations; Registration. Certificates for the Initial U.S. Securities and the U.S. Option Securities, if any, shall be in such denominations and registered in such names as the U.S. Representatives may request in writing at least two full business day before the Closing Time or the relevant Date of Delivery, as the case may be. The certificates for the Initial U.S. Securities and the U.S. Option Securities, if any, will be made available for examination and packaging by the U.S. Representative(s) in The City of New York not later than 10:00 A.M. (Eastern time) on the business day prior to the Closing Time or the relevant Date of Delivery, as the case may be.

SECTION 3. Covenants of the Company. Each of the Company and the Operating Partnership covenants with each U.S. Underwriter as follows:

(a) Compliance with Securities Regulations and Commission Requests. The Company, subject to Section 3(b), will comply with the requirements of Rule 430A or Rule 434, as applicable, and will notify the Global Coordinators promptly, and confirm the notice in writing, (i) when any post-effective amendment to the Registration Statement shall become effective, or any supplement to the Prospectuses or any amended Prospectuses shall have been filed, (ii) of the receipt of any comments from the Commission, (iii) of any request by the Commission for any amendment to the Registration Statement or any amendment or supplement to the Prospectuses or for additional information, and (iv) of the issuance by the Commission of any stop order suspending the effectiveness of the Registration Statement or of any order preventing or suspending the use of any preliminary prospectus, or of the suspension of the qualification of the Securities for offering or sale in any jurisdiction, or of the initiation or threatening of any proceedings for any of such purposes. The Company will promptly effect the filings necessary pursuant to Rule 424(b) The and will take such steps as it deems necessary to ascertain promptly whether the form of prospectus transmitted for filing under Rule 424(b) was received for filing by the Commission and, in the event that it was not, it will promptly file such prospectus. The Company will make every reasonable effort to prevent the issuance of any stop order and, if any stop order is issued, to obtain the lifting thereof at the earliest possible moment.

(b) Filing of Amendments. The Company will give the Global Coordinators notice of its intention to file or prepare any amendment to the Registration Statement (including any filing under Rule 462(b)), any Term Sheet or any amendment,

supplement or revision to either the prospectus included in the Registration Statement at the time it became effective or to the Prospectuses, will furnish the Global Coordinators with copies of any such documents a reasonable amount of time prior to such proposed filing or use, as the case may be, and will not file or use any such document to which the Global Coordinators or counsel for the U.S. Underwriters shall reasonably object.

(c) Delivery of Registration Statements. The Company has furnished or, upon request, will deliver to the U.S. Representatives and counsel for the U.S. Underwriters, without charge, signed copies of the Registration Statement as originally filed and of each amendment thereto (including exhibits filed therewith or incorporated by reference therein) and signed copies of all consents and certificates of experts, and will also deliver to the U.S. Representatives, without charge, a conformed copy of the Registration Statement as originally filed and of each amendment thereto (without exhibits) for each of the U.S. Underwriters. The copies of the Registration Statement and each amendment thereto furnished to the U.S. Underwriters will be identical to the electronically transmitted copies thereof filed with the Commission pursuant to EDGAR, except to the extent permitted or required by Regulation S-T.

(d) Delivery of Prospectuses. The Company has delivered to each U.S. Underwriter, without charge, as many copies of each preliminary prospectus as such U.S. Underwriter reasonably requested, and the Company hereby consents to the use of such copies for purposes permitted by the 1933 Act in connection with the offering of the Securities. The Company will furnish to each U.S. Underwriter, without charge, during the period when the U.S. Prospectus is required to be delivered under the 1933 Act or the Securities Exchange Act of 1934 (the "1934 Act"), such number of copies of the U.S. Prospectus (as amended or supplemented) as such U.S. Underwriter may reasonably request. The U.S. Prospectus and any amendments or supplements thereto furnished to the U.S. Underwriters will be identical to the electronically transmitted copies thereof filed with the Commission pursuant to EDGAR, except to the extent permitted or required by Regulation S-T.

(e) Continued Compliance with Securities Laws. The Company will comply with the 1933 Act and the 1933 Act Regulations so as to permit the completion of the distribution of the Securities as contemplated in this Agreement, the International Purchase Agreement and in the Prospectuses. If at any time when a prospectus is required by the 1933 Act to be delivered in connection with sales of the Securities, any event shall occur or condition shall exist as a result of which it is necessary, in the reasonable opinion of counsel for the U.S. Underwriters or for the Company, to amend the Registration Statement or amend or supplement any Prospectus in order that the Prospectuses will not include any untrue statements of a material fact or omit to state a material fact necessary in order to make the statements therein not misleading in the light of the circumstances existing at the time it is delivered to a purchaser, or if it shall be necessary, in the reasonable opinion of such counsel, at any such time to amend the Registration Statement or amend or supplement any Prospectus in order to comply with

the requirements of the 1933 Act or the 1933 Act Regulations, the Company will promptly prepare and file with the Commission, subject to Section 3(b), such amendment or supplement as may be necessary to correct such statement or omission or to make the Registration Statement or the Prospectuses comply with such requirements, and the Company will furnish to the U.S. Underwriters such number of copies of such amendment or supplement as the U.S. Underwriters may reasonably request.

(f) Blue Sky Qualifications. The Company will use its best efforts, in cooperation with the U.S. Underwriters, to qualify, if necessary, the Securities for offering and sale under the applicable securities laws of such states and other jurisdictions (domestic or foreign) as the Global Coordinators may designate and to maintain such qualifications in effect for a period of not more than one year from the later of the effective date of the Registration Statement and any Rule 462(b) Registration Statement; provided, however, that the Company shall not be obligated to file any general consent to service of process or to qualify as a foreign corporation or as a dealer in securities in any jurisdiction in which it is not so qualified or to subject itself to taxation in respect of doing business in any jurisdiction in which it is not otherwise so subject. In each jurisdiction in which the Securities have been so qualified, the Company will file such statements and reports as may be required by the laws of such jurisdiction to continue such qualification in effect for a period of not more than one year from the effective date of the Registration Statement and any Rule 462(b) Registration Statement.

(g) Rule 158. The Company will timely file such reports pursuant to the 1934 Act as are necessary in order to make generally available to its securityholders as soon as practicable an earnings statement for the purposes of, and to provide the benefits contemplated by, the last paragraph of Section 11(a) of the 1933 Act.

(h) Use of Proceeds. The Company will use the net proceeds received by it from the sale of the Securities in the manner specified in the Prospectuses under "Use of Proceeds".

(i) Listing. The Company will use its best efforts to effect the listing of the Common Stock (including the Securities) on the New York Stock Exchange.

(j) Restriction on Sale of Securities. During a period of one year from the date of the Prospectuses, the Company and the Operating Partnership will not, without the prior written consent of the Global Coordinators, (i) directly or indirectly, offer, pledge, sell, contract to sell, sell any option or contract to purchase, purchase any option or contract to sell, grant any option, right or warrant to purchase or otherwise transfer or dispose of any share of Common Stock or OP Units, or any securities convertible into or exercisable or exchangeable for Common Stock or OP Units, or file any registration statement under the 1933 Act with respect to any of the foregoing or (ii) enter into any swap or any other agreement or any transaction that transfers, in whole or in part, directly or indirectly, the economic consequence of ownership of the Common

Stock, whether any such swap or transaction described in clause (i) or (ii) above is to be settled by delivery of Common Stock or such other securities, in cash or otherwise. The foregoing sentence shall not apply to (A) the Securities to be sold hereunder or under the International Purchase Agreement or (B) any shares of Common Stock issued or options to purchase Common Stock granted pursuant to existing employee benefit plans of the Company referred to in the Prospectuses or any employee benefit plans of the Company which have been approved by the requisite vote of the stockholders of the Company at a duly called meeting of stockholders.

(k) Lock-up Agreements. The Company will use its best efforts to cause each holder of Common Stock or OP Units issued in connection with the Formation Transactions to enter into a written agreement, in form and substance satisfactory to Merrill Lynch and Goldman, Sachs, on behalf of the Underwriters, to the effect set forth in Exhibit A hereto.

(1) Qualification as a REIT. The Company will use its best efforts to meet the requirements to qualify, for the taxable year ending December 31, 1997, as a REIT under the Code.

(m) Compliance with NASD Rules. The Company hereby agrees that it will ensure that the Reserved Securities will be restricted as required by the National Association of Securities Dealers, Inc. (the "NASD") or the NASD rules from sale, transfer, assignment, pledge or hypothecation for a period of three months following the date of this Agreement. The Underwriters will notify the Company as to which persons will need to be so restricted. At the request of the Underwriters, the Company will direct the transfer agent to place a stop transfer restriction upon such securities for such period of time. Should the Company release, or seek to release, from such restrictions any of the Reserved Securities, the Company agrees to reimburse the Underwriters for any reasonable expenses (including, without limitation, legal expenses) they incur in connection with such release.

(n) Compliance with Rule 463. The Company will file with the Commission such reports on Form SR as may be required pursuant to Rule 463 of the 1933 Act Regulations.

SECTION 4. Payment of Expenses. (a) Expenses. The Company will pay all

expenses incident to the performance of its obligations under this Agreement, including (i) the preparation, printing and filing of the Registration Statement (including financial statements and exhibits) as originally filed and of each amendment thereto, (ii) the preparation, printing and delivery to the Underwriters of this Agreement, any Agreement among Underwriters and such other documents as may be required in connection with the offering, purchase, sale, issuance or delivery of the Securities, (iii) the preparation, issuance and delivery of the certificates for the Securities to the Underwriters, including any stock or other transfer taxes and any stamp or other duties payable upon the sale, issuance or delivery of the Securities to the Underwriters and the transfer of the

Securities between the U.S. Underwriters and the International Managers, (iv) the fees and disbursements of the Company's counsel, accountants and other advisors, (v) the qualification or registration (or exemption therefrom) of the Securities under securities laws in accordance with the provisions of Section 3(f) hereof, including filing fees and the reasonable fees and disbursements of counsel for the Underwriters in connection therewith and in connection with the preparation of the Blue Sky Survey and any supplement thereto, (vi) the printing and delivery to the Underwriters of copies of each preliminary prospectus, any Term Sheets and of the Prospectuses and any amendments or supplements thereto, (vii) the preparation, printing and delivery to the Underwriters of copies of the Blue Sky Survey and any supplement thereto, (viii) the fees and expenses of any transfer agent or registrar for the Securities and (ix) the filing fees incident to, and the reasonable fees and disbursements of counsel to the Underwriters in connection with, the review by the NASD of the terms of the sale of the Securities, (x) the fees and expenses incurred in connection with the listing of the Securities on the New York Stock Exchange and (xi) all costs and expenses of the Underwriters, including the fees and disbursements of counsel for the Underwriters, in connection with matters related to the Reserved Securities which are designated by the Company for sale to employees and others having a business relationship with the Company.

(b) Termination of Agreement. If this Agreement is terminated by the U.S. Representatives in accordance with the provisions of Section 5 or Section 9(a)(i) hereof, the Company shall reimburse the U.S. Underwriters for all of their out-of-pocket expenses, including the reasonable fees and disbursements of counsel for the U.S. Underwriters.

SECTION 5. Conditions of U.S. Underwriters' Obligations. The obligations

of the several U.S. Underwriters hereunder are subject to the accuracy of the representations and warranties of the Company contained in Section 1 hereof or in certificates of any officer of the Company or any subsidiary of the Company delivered pursuant to the provisions hereof, to the performance by the Company of its covenants and other obligations hereunder, and to the following further conditions:

(a) Effectiveness of Registration Statement. The Registration Statement, including any Rule 462(b) Registration Statement, has become effective and at the Closing Time no stop order suspending the effectiveness of the Registration Statement shall have been issued under the 1933 Act or proceedings therefor initiated or threatened by the Commission, and any request on the part of the Commission for additional information shall have been complied with to the reasonable satisfaction of counsel to the U.S. Underwriters. A prospectus containing the Rule 430A Information shall have been filed with the Commission in accordance with Rule 424(b) (or a post-effective amendment providing such information shall have been filed and declared effective in accordance with the requirements of Rule 430A) or, if the Company has elected to rely upon Rule 434, a Term Sheet shall have been filed with the Commission in accordance with Rule 424(b).

(b) Opinion of Counsel for Company. At Closing Time, the U.S. Representatives shall have received the favorable opinion, dated as of Closing Time, of Goodwin, Procter & Hoar LLP, counsel for the Company and the Operating Partnership, in form and substance satisfactory to counsel for the U.S. Underwriters, together with signed or reproduced copies of such letter for each of the other U.S. Underwriters to the effect set forth in Exhibit B hereto and to such further effect as counsel to the U.S. Underwriters may reasonably request.

(c) Opinion of General Counsel of Company. At Closing Time, the U.S. Representatives shall have received the favorable opinion, dated as of Closing Time, of Frederick J. DeAngelis, General Counsel of the Company, in form and substance satisfactory to counsel for the U.S. Underwriters, together with signed or reproduced copies of such letter for each of the other U.S. Underwriters to the effect set forth in Exhibit C hereto and to such further effect as counsel to the U.S. Underwriters may reasonably request.

(d) Opinion of Counsel for U.S. Underwriters. At Closing Time, the U.S. Representatives shall have received the favorable opinion, dated as of Closing Time, of Skadden, Arps, Slate, Meagher & Flom LLP, counsel for the U.S. Underwriters, together with signed or reproduced copies of such letter for each of the other U.S. Underwriters with respect to the matters set forth in clauses (i), (x), (xi), (solely as to preemptive or other similar rights arising by operation of law or under the charter or by-laws of the Company), (xiv) through (xvi), inclusive, and the penultimate paragraph of Exhibit B hereto.

In giving the opinions described in paragraphs (b), (c) and (d) above, each counsel may rely, as to all matters governed by the laws of jurisdictions other than the law of the State of New York, the Commonwealth of Massachusetts, the federal law of the United States and the General Corporation Law of the State of Delaware, upon the opinions of counsel satisfactory to the U.S. Representatives. Such counsel may also state that, insofar as such opinion involves factual matters, they have relied, to the extent they deem proper, upon certificates of officers of the Company and its Subsidiaries and certificates of public officials.

(e) Officers' Certificate. At Closing Time, there shall not have been, since the date hereof or since the respective dates as of which information is given in the Prospectuses, any material adverse change in the condition, financial or otherwise, or in the earnings, business affairs or business prospects of the Company, the Operating Partnership and the Subsidiaries considered as one enterprise, whether or not arising in the ordinary course of business, and the U.S. Representatives shall have received a certificate of the President or a Vice President of the Company and of the chief financial or chief accounting officer of the Company and appropriate officers of the Company, as General Partner, on behalf of the Operating Partnership, dated as of Closing Time, to the effect that (i) there has been no such material adverse change, (ii) the representations and warranties in Section 1(a) hereof are true and correct in all material respects with the same force and effect as though expressly made at and as of Closing Time, (iii) the Company has complied in all material respects with all agreements and satisfied all

conditions on its part to be performed or satisfied at or prior to Closing Time, and (iv) no stop order suspending the effectiveness of the Registration Statement has been issued and no proceedings for that purpose have been instituted or are pending or are contemplated by the Commission.

(f) Accountant's Comfort Letter. At the time of the execution of this Agreement, the U.S. Representatives shall have received from Coopers & Lybrand L.L.P. a letter dated such date, in form and substance satisfactory to the U.S. Representatives, together with signed or reproduced copies of such letter for each of the other U.S. Underwriters containing statements and information of the type ordinarily included in accountants' "comfort letters" to underwriters with respect to the financial statements and certain financial information contained in the Registration Statement and the Prospectuses.

(g) Bring-down Comfort Letter. At Closing Time, the U.S. Representatives shall have received from Coopers & Lybrand L.L.P. a letter, dated as of Closing Time, to the effect that they reaffirm the statements made in the letter furnished pursuant to subsection (f) of this Section, except that the specified date referred to shall be a date not more than three business days prior to Closing Time.

(h) Approval of Listing. At Closing Time, the Securities shall have been approved for listing on the New York Stock Exchange, subject only to official notice of issuance.

(i) No Objection. The NASD has confirmed that it has not raised any objection with respect to the fairness and reasonableness of the underwriting terms and arrangements.

(j) Lock-up Agreements. At the date of this Agreement, the U.S. Representatives shall have received the agreements described in Section 3(k) hereof.

(k) Purchase of Initial International Securities. Contemporaneously with the purchase by the U.S. Underwriters of the Initial U.S. Securities under this Agreement, the International Managers shall have purchased the Initial International Securities under the International Purchase Agreement.

(1) Conditions to Purchase of U.S. Option Securities. In the event that the U.S. Underwriters exercise their option provided in Section 2(b) hereof to purchase all or any portion of the U.S. Option Securities, the representations and warranties of the Company contained herein and the statements in any certificates furnished by the Company or any subsidiary of the Company hereunder shall be true and correct as of each Date of Delivery and, at the relevant Date of Delivery, the U.S. Representatives shall have received:

(i) Officers' Certificate. A certificate, dated such Date of

Delivery, of the President or a Vice President of the Company and of the chief financial or chief accounting officer of the Company confirming that the certificate delivered at the Closing Time pursuant to Section 5(e) hereof remains true and correct as of such Date of Delivery.

(ii) Opinion of Counsel for Company. The favorable opinion of

Goodwin, Proctor & Hoar LLP, counsel for the Company and the Operating Partnership, in form and substance satisfactory to counsel for the U.S. Underwriters, dated such Date of Delivery, relating to the U.S. Option Securities to be purchased on such Date of Delivery and otherwise to the same effect as the opinion required by Section 5(b) hereof.

(iii) Opinion of General Counsel of Company. The favorable opinion

of Frederick J. DeAngelis, General Counsel of the Company, in form and substance satisfactory to counsel for the U.S. Underwriters, dated such Date of Delivery, relating to the U.S. Option Securities to be purchased on such Date of Delivery and otherwise to the same effect as the opinion required by Section 5(c) hereof.

(iv) Opinion of Counsel for U.S. Underwriters. The favorable

opinion of Skadden, Arps, Slate, Meagher & Flom LLP, counsel for the U.S. Underwriters, dated such Date of Delivery, relating to the U.S. Option Securities to be purchased on such Date of Delivery and otherwise to the same effect as the opinion required by Section 5(d) hereof.

(v) Bring-down Comfort Letter. A letter from Coopers & Lybrand

L.L.P., in form and substance satisfactory to the U.S. Representatives and dated such Date of Delivery, substantially in the same form and substance as the letter furnished to the U.S. Representatives pursuant to Section 5(g) hereof, except that the "specified date" in the letter furnished pursuant to this paragraph shall be a date not more than five days prior to such Date of Delivery.

(m) Additional Documents. At Closing Time and at each Date of Delivery, counsel for the U.S. Underwriters shall have been furnished with such documents and opinions as they may reasonably require for the purpose of enabling them to pass upon the issuance and sale of the Securities as herein contemplated, or in order to evidence the accuracy of any of the representations or warranties, or the fulfillment of any of the conditions, herein contained; and all proceedings taken by the Company in connection with the issuance and sale of the Securities as herein contemplated shall be reasonably satisfactory in form and substance to the U.S. Representatives and counsel for the U.S. Underwriters.

(n) Termination of Agreement. If any condition specified in this Section shall not have been fulfilled when and as required to be fulfilled, this Agreement,

or, in the case of any condition to the purchase of U.S. Option Securities on a Date of Delivery which is after the Closing Time, the obligations of the several U.S. Underwriters to purchase the relevant Option Securities, may be terminated by the U.S. Representatives by notice to the Company at any time at or prior to Closing Time or such Date of Delivery, as the case may be, and such termination shall be without liability of any party to any other party except as provided in Section 4 and except that Sections 1, 6, 7 and 8 shall survive any such termination and remain in full force and effect.

SECTION 6. Indemnification.

(a) Indemnification of U.S. Underwriters. The Company and the Operating Partnership jointly agree to indemnify and hold harmless each U.S. Underwriter and each person, if any, who controls any U.S. Underwriter within the meaning of Section 15 of the 1933 Act or Section 20 of the 1934 Act as follows:

(i) against any and all loss, liability, claim, damage and expense whatsoever, as incurred, arising out of any untrue statement or alleged untrue statement of a material fact contained in the Registration Statement (or any amendment thereto), including the Rule 430A Information and the Rule 434 Information, if applicable, or the omission or alleged omission therefrom of a material fact required to be stated therein or necessary to make the statements therein not misleading or arising out of any untrue statement or alleged untrue statement of a material fact included in any preliminary prospectus or the Prospectuses (or any amendment or supplement thereto), or the omission or alleged omission therefrom of a material fact necessary in order to make the statements therein, in the light of the circumstances under which they were made, not misleading;

(ii) against any and all loss, liability, claim, damage and expense whatsoever, as incurred, arising out of (A) the violation of any applicable laws or regulations of foreign jurisdictions where Reserved Securities have been offered and (B) any untrue statement or alleged untrue statement of a material fact included in the supplement or prospectus wrapper material distributed in [Canada] in connection with the reservation and sale of the Reserved Securities to eligible employees and persons having business relationships with the Company or the omission or alleged omission therefrom of a material fact necessary to make the statements therein, when considered in conjunction with the Prospectuses or preliminary prospectuses, not misleading;

(iii) against any and all loss, liability, claim, damage and expense whatsoever, as incurred, to the extent of the aggregate amount paid in settlement of any litigation, or any investigation or proceeding by any governmental agency or body, commenced or threatened, or of any claim whatsoever based upon any such untrue statement or omission, or any such alleged untrue statement or omission or in connection with any violation of the nature referred to in Section 6(a)(ii)(A) hereof; provided that

²⁴

(subject to Section 6(d) below) any such settlement is effected with the written consent of the Company; and

(iv) against any and all expense whatsoever, as incurred (including the fees and disbursements of counsel chosen by Merrill Lynch and Goldman, Sachs), reasonably incurred in investigating, preparing or defending against any litigation, or any investigation or proceeding by any governmental agency or body, commenced or threatened, or any claim whatsoever based upon any such untrue statement or omission, or any such alleged untrue statement or omission or in connection with any violation of the nature referred to in Section 6(a)(ii)(A) hereof, to the extent that any such expense is not paid under (i), (ii) or (iii) above;

provided, however, that this indemnity agreement shall not apply to any loss,

liability, claim, damage or expense to the extent arising out of (A) any untrue statement or omission or alleged untrue statement or omission made in reliance upon and in conformity with written information furnished to the Company and the Operating Partnership by any U.S. Underwriter through the U.S. Representatives expressly for use in the Registration Statement (or any amendment thereto), including the Rule 430A Information and the Rule 434 Information, if applicable, or any preliminary prospectus or the U.S. Prospectus (or any amendment or supplement thereto) or (B) the fact that such U.S. Underwriter sold Securities to a person as to whom it shall be established that there was not sent or given, at or prior to the written confirmation of such sale, a copy of the U.S. Prospectus or of the U.S. Prospectus as then amended or supplemented in any case where such delivery is required by the 1933 Act if the Company has previously furnished copies thereof in sufficient quantity to such U.S. Underwriter and the loss, claim, damage or liability of such U.S. Underwriter results from an untrue statement or omission of a material fact contained in any preliminary prospectus or U.S. Prospectus (or any amendment or supplement thereto), which was corrected in the U.S. Prospectus or in the U.S. Prospectus as then amended or supplemented and delivery would have cured the defect giving rise to such loss, claim, damage or liability.

(b) Indemnification of Company, Directors and Officers. Each U.S. Underwriter severally agrees to indemnify and hold harmless the Company, its directors, each of its officers who signed the Registration Statement, and each person, if any, who controls the Company within the meaning of Section 15 of the 1933 Act or Section 20 of the 1934 Act against any and all loss, liability, claim, damage and expense described in the indemnity contained in subsection (a) of this Section, as incurred, but only with respect to untrue statements or omissions, or alleged untrue statements or omissions, made in the Registration Statement (or any amendment thereto), including the Rule 430A Information and the Rule 434 Information, if applicable, or any preliminary U.S. prospectus or the U.S. Prospectus (or any amendment or supplement thereto) in reliance upon and in conformity with written information furnished to the Company by such U.S. Underwriter through the U.S. Representatives expressly for use in the Registration Statement (or any amendment thereto) or such preliminary prospectus or the U.S. Prospectus (or any amendment thereto). The Company and the Operating Partnership acknowledge that the statements set forth in the last paragraph of the cover page and

in the second, fifth and twelfth through fifteenth paragraphs under the caption "Underwriting" in the Prospectus constitute the only information furnished in writing by or on behalf of any Underwriter expressly for use in the Registration Statement relating to the Securities as originally filed or in any amendment thereof, an related preliminary prospectus or the Prospectuses or in any amendment thereof or supplement thereto, as the case may be.

Actions against Parties; Notification. Each indemnified party shall give notice as promptly as reasonably practicable to each indemnifying party of any action commenced against it in respect of which indemnity may be sought hereunder, but failure to so notify an indemnifying party shall not relieve such indemnifying party from any liability hereunder to the extent it is not materially prejudiced as a result thereof and in any event shall not relieve it from any liability which it may have otherwise than on account of this indemnity agreement. In the case of parties indemnified pursuant to Section 6(a) above, counsel to the indemnified parties shall be selected by Merrill Lynch and Goldman, Sachs, and, in the case of parties indemnified pursuant to Section 6(b) above, counsel to the indemnified parties shall be selected by the Company. An indemnifying party may participate at its own expense in the defense of any such action; provided, however, that counsel to the indemnifying party shall not (except with the consent of the indemnified party) also be counsel to the indemnified party. Notwithstanding the foregoing, if it so elects within a reasonable time after receipt of such notice, an indemnifying party, jointly with any other indemnifying parties receiving such notice, may assume the defense of such action with counsel chosen by it and approved by the indemnified parties defendant in such action (which approval shall not be unreasonably withheld), unless such indemnified parties reasonably object to such assumption on the ground that there may be legal defenses available to them which are different from or in addition to those available to such indemnifying party. an indemnifying party assumes the defense of such action, the indemnifying party shall not be liable for any fees and expenses of counsel for the indemnified parties incurred thereafter in connection with such action, except the indemnifying party shall be liable for the reasonable costs of investigation subsequently incurred by the indemnified party in connection with the defense. In no event shall the indemnifying parties be liable for fees and expenses of more than one counsel (in addition to any local counsel) separate from their own counsel for all indemnified parties in connection with any one action or separate but similar or related actions in the same jurisdiction arising out of the same general allegations or circumstances. No indemnifying party shall, without the prior written consent of the indemnified parties, which consent shall not be unreasonably withheld, settle or compromise or consent to the entry of any judgment with respect to any litigation, or any investigation or proceeding by any governmental agency or body, commenced or threatened, or any claim whatsoever in respect of which indemnification or contribution could be sought under this Section 6 or Section 7 hereof (whether or not the indemnified parties are actual or potential parties thereto), unless such settlement, compromise or consent (i) includes an unconditional release of each indemnified party from all liability arising out of such litigation, investigation, proceeding or claim and (ii) does not include a statement as to or an admission of fault, culpability or a failure to act by or on behalf of any indemnified party

(d) Settlement without Consent if Failure to Reimburse. If at any time an indemnified party shall have requested an indemnifying party to reimburse the indemnified party for fees and expenses of counsel, such indemnifying party agrees that it shall be liable for any settlement of the nature contemplated by Section 6(a)(i)(iii) effected without its written consent if (i) such settlement is entered into more than 45 days after receipt by such indemnifying party of the aforesaid request, (ii) such indemnifying party shall have received notice of the terms of such settlement at least 30 days prior to such settlement being entered into and (iii) such indemnifying party shall not have reimbursed such indemnified party in accordance with such request prior to the date of such settlement.

(e) Indemnification for Reserved Securities. In connection with the offer and sale of the Reserved Securities, the Company agrees, promptly upon a request in writing, to indemnify and hold harmless the Underwriters from and against any and all losses, liabilities, claims, damages and expenses incurred by them as a result of the failure of eligible employees and persons having business relationships with the Company to pay for and accept delivery of Reserved Securities which, by the end of the first business day following the date of this Agreement, were subject to a properly confirmed agreement to purchase.

SECTION 7. Contribution. If the indemnification provided for in Section 6

hereof is for any reason unavailable to or insufficient to hold harmless an indemnified party in respect of any losses, liabilities, claims, damages or expenses referred to therein, then each indemnifying party shall contribute to the aggregate amount of such losses, liabilities, claims, damages and expenses incurred by such indemnified party, as incurred, (i) in such proportion as is appropriate to reflect the relative benefits received by the Company and the Operating Partnership on the one hand and the U.S. Underwriters on the other hand from the offering of the Securities pursuant to this Agreement or (ii) if the allocation provided by clause (i) is not permitted by applicable law, in such proportion as is appropriate to reflect not only the relative benefits referred to in clause (i) above but also the relative fault of the Company and the Operating Partnership on the one hand and of the U.S. Underwriters on the other hand in connection with the statements or omissions, or in connection with any violation of the nature referred to in Section 6(a)(ii)(A) hereof, which resulted in such losses, liabilities, claims, damages or expenses, as well as any other relevant equitable considerations.

The relative benefits received by the Company and the Operating Partnership on the one hand and the U.S. Underwriters on the other hand in connection with the offering of the U.S. Securities pursuant to this Agreement shall be deemed to be in the same respective proportions as the total net proceeds from the offering of the U.S. Securities pursuant to this Agreement (before deducting expenses) received by the Company and the total underwriting discount received by the U.S. Underwriters, in each case as set forth on the cover of the U.S. Prospectus, or, if Rule 434 is used, the corresponding location on the Term Sheet, bear to the aggregate initial public offering price of the U.S.

The relative fault of the Company and the Operating Partnership on the one hand and the U.S. Underwriters on the other hand shall be determined by reference to, among other things,

whether any such untrue or alleged untrue statement of a material fact or omission or alleged omission to state a material fact relates to information supplied by the Company, the Operating Partnership or by the U.S. Underwriters and the parties' relative intent, knowledge, access to information and opportunity to correct or prevent such statement or omission or any violation of the nature referred to in Section 6(a)(ii)(A) hereof.

The Company, the Operating Partnership and the U.S. Underwriters agree that it would not be just and equitable if contribution pursuant to this Section 7 were determined by pro rata allocation (even if the U.S. Underwriters were treated as one entity for such purpose) or by any other method of allocation which does not take account of the equitable considerations referred to above in this Section 7. The aggregate amount of losses, liabilities, claims, damages and expenses incurred by an indemnified party and referred to above in this Section 7 shall be deemed to include any legal or other expenses reasonably incurred by such indemnified party in investigating, preparing or defending against any litigation, or any investigation or proceeding by any governmental agency or body, commenced or threatened, or any claim whatsoever based upon any such untrue or alleged untrue statement or omission or alleged omission.

Notwithstanding the provisions of this Section 7, no U.S. Underwriter shall be required to contribute any amount in excess of the amount by which the total price at which the U.S. Securities underwritten by it and distributed to the public were offered to the public exceeds the amount of any damages which such U.S. Underwriter has otherwise been required to pay by reason of any such untrue or alleged untrue statement or omission or alleged omission.

No person guilty of fraudulent misrepresentation (within the meaning of Section 11(f) of the 1933 Act) shall be entitled to contribution from any person who was not guilty of such fraudulent misrepresentation.

For purposes of this Section 7, each person, if any, who controls a U.S. Underwriter within the meaning of Section 15 of the 1933 Act or Section 20 of the 1934 Act shall have the same rights to contribution as such U.S. Underwriter, and each director of the Company, each officer of the Company who signed the Registration Statement, and each person, if any, who controls the Company within the meaning of Section 15 of the 1933 Act or Section 20 of the 1934 Act shall have the same rights to contribution as the Company. The U.S. Underwriters' respective obligations to contribute pursuant to this Section 7 are several in proportion to the number of Initial U.S. Securities set forth opposite their respective names in Schedule A hereto and not joint.

SECTION 8. Representations, Warranties and Agreements to Survive Delivery.

All representations, warranties and agreements contained in this Agreement or in certificates of officers of the Company, the Operating Partnership or any of the Subsidiaries submitted pursuant hereto, shall remain operative and in full force and effect, regardless of any investigation made by or on behalf of any U.S. Underwriter or controlling person, or by or on behalf of the Company, and shall survive delivery of the Securities to the U.S. Underwriters.

Termination; General. The U.S. Representatives may terminate this (a) Agreement, by notice to the Company, at any time at or prior to Closing Time (i) if there has been, since the time of execution of this Agreement or since the respective dates as of which information is given in the U.S. Prospectus, any material adverse change in the condition, financial or otherwise, or in the earnings, business affairs or business prospects of the Company and its subsidiaries considered as one enterprise, whether or not arising in the ordinary course of business, or (ii) if there has occurred any material adverse change in the financial markets in the United States or the international financial markets, any outbreak of hostilities or escalation thereof or other calamity or crisis or any change or development involving a prospective change in national or international political, financial or economic conditions, in each case the effect of which is such as to make it, in the judgment of the U.S. Representatives, impracticable to market the Securities or to enforce contracts for the sale of the Securities, or (iii) if trading in any securities of the Company has been suspended or materially limited by the Commission or the New York Stock Exchange, or if trading generally on the American Stock Exchange or the New York Stock Exchange or in the Nasdaq National Market has been suspended or materially limited, or minimum or maximum prices for trading have been fixed, or maximum ranges for prices have been required, by any of said exchanges or by such system or by order of the Commission, the NASD or any other governmental authority, or (iv) if a banking moratorium has been declared by either Federal or New York authorities.

(b) Liabilities. If this Agreement is terminated pursuant to this Section, such termination shall be without liability of any party to any other party except as provided in Section 4 hereof, and provided further that Sections 1, 6, 7 and 8 shall survive such termination and remain in full force and effect.

SECTION 10. Default by One or More of the U.S. Underwriters. If one or

more of the U.S. Underwriters shall fail at Closing Time or a Date of Delivery to purchase the Securities which it or they are obligated to purchase under this Agreement (the "Defaulted Securities"), the U.S. Representatives shall have the right, within 24 hours thereafter, to make arrangements for one or more of the non-defaulting U.S. Underwriters, or any other underwriters, to purchase all, but not less than all, of the Defaulted Securities in such amounts as may be agreed upon and upon the terms herein set forth; if, however, the U.S. Representatives shall not have completed such arrangements within such 24-hour period, then:

(a) if the number of Defaulted Securities does not exceed 10% of the number of U.S. Securities to be purchased on such date, each of the non-defaulting U.S. Underwriters shall be obligated, severally and not jointly, to purchase the full amount thereof in the proportions that their respective underwriting obligations hereunder bear to the underwriting obligations of all non-defaulting U.S. Underwriters, or

(b) if the number of Defaulted Securities exceeds 10% of the number of U.S. Securities to be purchased on such date, this Agreement or, with respect to any

Date of Delivery which occurs after the Closing Time, the obligation of the U.S. Underwriters to purchase and of the Company to sell the Option Securities to be purchased and sold on such Date of Delivery shall terminate without liability on the part of any non-defaulting U.S. Underwriter.

No action taken pursuant to this Section shall relieve any defaulting U.S. Underwriter from liability in respect of its default.

In the event of any such default which does not result in a termination of this Agreement or, in the case of a Date of Delivery which is after the Closing Time, which does not result in a termination of the obligation of the U.S. Underwriters to purchase and the Company to sell the relevant U.S. Option Securities, as the case may be, either the U.S. Representatives or the Company shall have the right to postpone Closing Time or the relevant Date of Delivery, as the case may be, for a period not exceeding seven days in order to effect any required changes in the Registration Statement or Prospectus or in any other documents or arrangements. As used herein, the term "U.S. Underwriter" includes any person substituted for a U.S. Underwriter under this Section 10.

SECTION 11. Notices. All notices and other communications hereunder shall

be in writing and shall be deemed to have been duly given if mailed or transmitted by any standard form of telecommunication. Notices to the U.S. Underwriters shall be directed to the U.S. Representatives c/o Merrill Lynch, Pierce, Fenner & Smith Incorporated, North Tower, World Financial Center, New York, New York 10281-1201, attention of Richard B. Saltzman; and notices to the Company and the Operating Partnership shall be directed to it at 8 Arlington Street, Boston, Massachusetts 02116, attention of Frederick J. DeAngelis, Esq. Notices given by telex or telephone shall be confirmed in writing.

SECTION 12. Parties. This Agreement shall each inure to the benefit of

and be binding upon the U.S. Underwriters and the Company and their respective successors. Nothing expressed or mentioned in this Agreement is intended or shall be construed to give any person, firm or corporation, other than the U.S. Underwriters and the Company and their respective successors and the controlling persons and officers and directors referred to in Sections 6 and 7 and their heirs and legal representatives, any legal or equitable right, remedy or claim under or in respect of this Agreement or any provision herein contained. This Agreement and all conditions and provisions hereof are intended to be for the sole and exclusive benefit of the U.S. Underwriters and the Company and their respective successors, and said controlling persons and officers and directors and their heirs and legal representatives, and for the benefit of no other person, firm or corporation. No purchaser of Securities from any U.S. Underwriter shall be deemed to be a successor by reason merely of such purchase.

SECTION 13. GOVERNING LAW AND TIME. THIS AGREEMENT SHALL BE GOVERNED BY

AND CONSTRUED IN ACCORDANCE WITH THE LAWS OF THE STATE OF NEW YORK. SPECIFIED TIMES OF DAY REFER TO NEW YORK CITY TIME.

SECTION 14. Effect of Headings. The Article and Section headings herein

and the Table of Contents are for convenience only and shall not affect the construction hereof.

If the foregoing is in accordance with your understanding of our agreement, please sign and return to the Company a counterpart hereof, whereupon this instrument, along with all counterparts, will become a binding agreement between the U.S. Underwriters and the Company in accordance with its terms.

Very truly yours,

BOSTON PROPERTIES, INC.

By Title:

BOSTON PROPERTIES LIMITED PARTNERSHIP

By Title:

CONFIRMED AND ACCEPTED, as of the date first above written:

MERRILL LYNCH & CO. 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.

By: MERRILL LYNCH, PIERCE, FENNER & SMITH INCORPORATED

Ву

Authorized Signatory

By: GOLDMAN, SACHS & CO.

- -----

For themselves and as U.S. Representatives of the other U.S. Underwriters named in Schedule A hereto.

SCHEDULE A

Name of Underwriter 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	Number of Initial Securities
Total	25,120,000 =======

Sch A-1

SCHEDULE B

BOSTON PROPERTIES, INC. 25,120,000 Shares of Common Stock (Par Value \$.01 Per Share)

1. The initial public offering price per share for the Securities, determined as provided in said Section 2, shall be \$_____.

2. The purchase price per share for the Securities to be paid by the several Underwriters shall be \$______, being an amount equal to the initial public offering price set forth above less \$______ per share; provided that the purchase price per share for any Option Securities purchased upon the exercise of the over-allotment option described in Section 2(b) shall be reduced by an amount per share equal to any dividends or distributions declared by the Company and payable on the Initial Securities but not payable on the Option Securities.

Sch B-1

SCHEDULE C

Certain Properties

599 Lexington Avenue One Independence Square Two Independence Square Democracy Center Capital Gallery 2300 N Street Long Wharf Marriott Cambridge Center Marriott

Sch C-1

Exhibit 1.2

BOSTON PROPERTIES, INC. (a Delaware corporation)

6,280,000 Shares of Common Stock

INTERNATIONAL PURCHASE AGREEMENT

Dated: June , 1997

- -----

SECTION 1.		4
(a) F	Representations and Warranties by the Company	4
	(i) Compliance with Registration Requirements(ii) Independent Accountants	4 5
	(iii) Financial Statements	5
	(iv) No Material Adverse Change in Business	6
	(v) Good Standing of the Company	6
	(vi) Good Standing of Subsidiaries	6
	(vii) Good Standing of Property Partnerships	7
	(viii) Capitalization	7
	<pre>(ix) Authorization of Agreement (x) Authorization and Description of Securities</pre>	7 8
	(x) Authorization and Description of Securities(xi) Authorization of the Operating Partnership Agreement	8
	(xii) Authorization and Description of OP Units	8
	(xiii) Absence of Defaults and Conflicts	8
	(xiv) Authorization of the Formation Transaction Documents	10
		10
	()	10
	() () () () () () () () () ()	10 10
		11
		11
		12
		12
	<pre>(xxv) Mortgages and Deeds of Trust (xxvi) Compliance with Cuba Act</pre>	12
	(xxvi) Investment Company Act	
	(xxviii) Environmental Laws	
	(xxix) Registration Rights	14
(b)	Officer's Certificates	
CECTION O	Cale and Dalivery to International Management Clearing	
SECTION 2. (a)		
(b)	Option Securities	
(c)	Payment	
(d)	Denominations; Registration	15
CECTTON O	Courses of the Company	10
(a)	Covenants of the Company Compliance with Securities Regulations and Commission Requests	
(b)	Filing of Amendments	
(~)		

i

(c)	Delivery of Registration Statements	
(d) (e)	Delivery of Prospectuses Continued Compliance with Securities Laws	
(f)	Blue Sky Qualifications	
(g)	Rule 158	18
(h)	Use of Proceeds	
(i)	Listing	
(j)	Restriction on Sale of Securities	
(k) (1)	Lock-up AgreementsQualification as a REIT	
(T) (m)	Compliance with NASD Rules	
(n)	Compliance with Rule 463	
	Payment of Expenses	
(a) (b)	Expenses Termination of Agreement	
(0)		20
SECTION 5.	Conditions of International Managers' Obligations	
(a)	Effectiveness of Registration Statement	
(b)	Opinion of Counsel for Company	
(c)	Opinion of Counsel for International Managers Opinion of Counsel for International Managers	
(d) (e)	Officers' Certificate	
(c) (f)	Accountant's Comfort Letter	
(g)	Bring-down Comfort Letter	
(ĥ)	Approval of Listing	
(i)	No Objection	
(j)	Lock-up Agreements	
(k)	Purchase of Initial U.S. Securities	
(1)	Conditions to Purchase of International Option Securities (i) Officers' Certificate	
	(ii) Opinion of Counsel for Company	
	(iii) Opinion of General Counsel of Company	
	(iv) Opinion of Counsel for International Managers	
	(v) Bring-down Comfort Letter	22
(m)	Additional Documents	
(n)	Termination of Agreement	23
SECTION 6.	Indemnification	23
(a)	Indemnification of International Managers	
(b)	Indemnification of Company, Directors and Officers	24
(c)	Actions against Parties; Notification	
(d)	Settlement without Consent if Failure to Reimburse	
(e)	Indemnification for Reserved Securities	26

ii

SECTION 7.	Contribution
SECTION 8.	Representations, Warranties and Agreements to Survive Delivery 27
(a)	Termination of Agreement
SECTION 10.	Default by One or More of the International Managers 28
SECTION 11.	Notices 29
SECTION 12.	Parties 29
SECTION 13.	GOVERNING LAW AND TIME 29
SECTION 14.	Effect of Headings 29

iii

BOSTON PROPERTIES, INC.

(a Delaware corporation)

6,280,000 Shares of Common Stock

(Par Value \$.01 Per Share)

INTERNATIONAL PURCHASE AGREEMENT

June , 1997

MERRILL LYNCH INTERNATIONAL GOLDMAN SACHS INTERNATIONAL BEAR, STEARNS INTERNATIONAL LIMITED MORGAN STANLEY & CO. INTERNATIONAL LIMITED PAINEWEBBER INTERNATIONAL (UK) LTD. PRUDENTIAL-BACHE SECURITIES (U.K.) INC. SMITH BARNEY INC. as Lead Managers of the several International Managers c/o Merrill Lynch International Ropemaker Place 25 Ropemaker Street London EC2Y 9LY England

Ladies and Gentlemen:

Boston Properties, Inc., a Delaware corporation (the "Company") and Boston Properties Limited Partnership, a Delaware limited partnership (the "Operating Partnership"), each confirms its agreement with Merrill Lynch International ("Merrill Lynch (Int'l)"), Goldman Sachs International ("Goldman Sachs (Int'l)"), Bear, Stearns International Limited ("Bear, Stearns (Int'l)"), Morgan Stanley & Co. International Limited ("Morgan Stanley (Int'l)"), PaineWebber International (UK) Ltd. ("PaineWebber (Int'l)"), Prudential-Bache Securities (U.K.) Inc. ("Prudential-Bache (Int'l)"), Smith Barney Inc. ("Smith Barney") and each of the other international underwriters named in Schedule A hereto (collectively, the "International Managers", which term shall also include any underwriter substituted as hereinafter provided in Section 10 hereof), for whom Merrill Lynch (Int'l), Goldman Sachs (Int'l), Bear, Stearns (Int'l), Morgan Stanley (Int'l), PaineWebber (Int'l), Prudential-Bache (Int'l) and Smith Barney

are acting as representatives (in such capacity, the "Lead Managers"), with respect to the issue and sale by the Company and the purchase by the International Managers, acting severally and not jointly, of the respective numbers of shares of Common Stock, par value \$.01 per share, of the Company ("Common Stock") set forth in said Schedule A, and with respect to the grant by the Company to the International Managers, acting severally and not jointly, of the option described in Section 2(b) hereof to purchase all or any part of 942,000 additional shares of Common Stock to cover over-allotments, if any. The aforesaid 6,280,000 shares of Common Stock (the "Initial International Securities") to be purchased by the International Managers and all or any part of the 942,000 shares of Common Stock subject to the option described in Section 2(b) hereof (the "International Option Securities") are hereinafter called, collectively, the "International Securities".

It is understood that the Company and the Operating Partnership are concurrently entering into an agreement dated the date hereof (the "U.S. Purchase Agreement") providing for the offering by the Company of an aggregate of 25,120,000 shares of Common Stock (the "Initial U.S. Securities") through arrangements with certain underwriters in the United States and Canada (the "U.S. Underwriters") for which Merrill Lynch & Co., 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. Underwriters") and the grant by the Company to the U.S. Underwriters, acting severally and not jointly, of an option to purchase all or any part of the U.S. Underwriters' pro rata portion of up to 3,768,000 additional shares of Common Stock solely to cover overallotments, if any (the "U.S. Option Securities"). The Initial U.S. Securities and the U.S. Option Securities are hereinafter called the "U.S. Securities". It is understood that the Company is not obligated to sell, and the International Managers are not obligated to purchase, any Initial International Securities unless all of the Initial U.S. Securities are contemporaneously purchased by the U.S. Underwriters.

The International Managers and the U.S. Underwriters are hereinafter collectively called the "Underwriters", the Initial International Securities and the Initial U.S. Securities are hereinafter collectively called the "Initial Securities", and the International Securities and the U.S. Securities are hereinafter collectively called the "Securities".

The Underwriters will concurrently enter into an Intersyndicate Agreement of even date herewith (the "Intersyndicate Agreement") providing for the coordination of certain transactions among the Underwriters under the direction of Merrill Lynch & Co., Merrill Lynch, Pierce, Fenner & Smith Incorporated and Goldman, Sachs & Co. (in such capacity, the "Global Coordinators").

The Company and the Operating Partnership each understand that the International Managers propose to make a public offering of the International Securities as soon as the Lead Managers deem advisable after this Agreement has been executed and delivered.

The Company and the International Managers agree that up to [] shares of the Initial International Securities to be purchased by the International Managers and that up to [750,000] shares of the Initial U.S. Securities to be purchased by the U.S. Underwriters (collectively, the "Reserved Securities") shall be reserved for sale by the Underwriters to certain eligible employees and persons having business relationships with the Company, as part of the distribution of the Securities by the Underwriters, subject to the terms of this Agreement, the applicable rules, regulations and interpretations of the National Association of Securities Dealers, Inc. and all other applicable laws, rules and regulations. To the extent that such Reserved Securities are not orally confirmed for purchase by such eligible employees and persons having business relationships with the Company by the end of the first business day after the date of this Agreement, such Reserved Securities may be offered to the public as part of the public offering contemplated hereby.

The Company has filed with the Securities and Exchange Commission (the "Commission") a registration statement on Form S-11 (No. 333-25279) covering the registration of the Securities under the Securities Act of 1933, as amended (the "1933 Act"), including the related preliminary prospectus or prospectuses. Promptly after execution and delivery of this Agreement, the Company will either (i) prepare and file a prospectus in accordance with the provisions of Rule 430A "Rule 430A") of the rules and regulations of the Commission under the 1933 Act (the "1933 Act Regulations") and paragraph (b) of Rule 424 ("Rule 424(b)") of the 1933 Act Regulations or (ii) if the Company has elected to rely upon Rule 434 ("Rule 434") of the 1933 Act Regulations, prepare and file a term sheet (a "Term Sheet") in accordance with the provisions of Rule 434 and Rule 424(b). Two forms of prospectus are to be used in connection with the offering and sale of the Securities: one relating to the International Securities (the "Form of International Prospectus") and one relating to the U.S. Securities (the "Form of U.S. Prospectus"). The Form of International Prospectus is identical to the Form of U.S. Prospectus, except for the front cover and back cover pages and the information under the caption "Underwriting." The information included in any such prospectus or in any such Term Sheet, as the case may be, that was omitted from such registration statement at the time it became effective but that is deemed to be part of such registration statement at the time it became effective (a) pursuant to paragraph (b) of Rule 430A is referred to as "Rule 430A "Rule 434 Information." Each Form of International Prospectus and Form of U.S. Prospectus used before such registration statement became effective, and any prospectus that omitted, as applicable, the Rule 430A Information or the Rule 434 Information, that was used after such effectiveness and prior to the execution and delivery of this Agreement, is herein called a "preliminary prospectus." Such registration statement, including the exhibits thereto and schedules thereto at the time it became effective and including the Rule 430A Information and the Rule 434 Information, as applicable, is herein called the "Registration Statement." Any registration statement filed pursuant to Rule 462(b) of the 1933 Act Regulations to register additional shares of Common Stock "Rule 462(b) Registration Statement," and after such filing the term "Registration Statement" shall include the Rule 462(b) Registration Statement. The final Form of International Prospectus and the final Form of U.S. Prospectus in the forms first furnished to the Underwriters for use in connection with the

offering of the Securities are herein called the "International Prospectus" and the "U.S. Prospectus," respectively, and collectively, the "Prospectuses." If Rule 434 is relied on, the terms "International Prospectus" and "U.S. Prospectus" shall refer to the preliminary International Prospectus dated June 10, 1997 and preliminary U.S. Prospectus dated June 10, 1997 respectively, each together with the applicable Term Sheet and all references in this Agreement to the date of such Prospectuses shall mean the date of the applicable Term Sheet. For purposes of this Agreement, all references to the Registration Statement, any preliminary prospectus, the International Prospectus, the U.S. Prospectus or any Term Sheet or any amendment or supplement to any of the foregoing shall be deemed to include the copy filed with the Commission pursuant to its Electronic Data Gathering, Analysis and Retrieval system ("EDGAR").

At or prior to Closing Time (as hereinafter defined), the Company will complete a series of transactions (the "Formation Transactions") described in the Prospectuses under the caption "Structure and Formation of the Company--Formation Transactions." As part of the Formation Transactions (i) certain Property Partnerships (as defined in the Registration Statement) will contribute properties to the Operating Partnership, or will merge into the Operating Partnership, in exchange for units of limited partnership of the Operating Partnership ("OP Units"), (ii) certain persons will contribute their direct and indirect interests in certain Property Partnerships to the Operating Partnership or its designee in exchange for OP Units, (iii) the Company will contribute a portion of its third-party management business to Boston Properties Management, Inc. (the "Development and Management Company"), a subsidiary of the Operating Partnership, in exchange for OP Units, and (iv) the Company will contribute the net proceeds from the public offering of the Securities to the Operating Partnership in exchange for OP Units.

SECTION 1. Representations and Warranties.

(a) Representations and Warranties by the Company. The Company and the Operating Partnership each severally represents and warrants to each International Manager as of the date hereof, as of the Closing Time referred to in Section 2(c) hereof, and as of each Date of Delivery (if any) referred to in Section 2(b) hereof, and agrees with each International Manager, as follows:

(i) Compliance with Registration Requirements. Each of the

Registration Statement and any Rule 462(b) Registration Statement has become effective under the 1933 Act and no stop order suspending the effectiveness of the Registration Statement or any Rule 462(b) Registration Statement has been issued under the 1933 Act and no proceedings for that purpose have been instituted or are pending or, to the knowledge of the Company, are contemplated by the Commission, and any request on the part of the Commission for additional information has been complied with.

At the respective times the Registration Statement, any Rule 462(b) Registration Statement and any post-effective amendments thereto became effective and at the Closing Time (and, if any International Option Securities are purchased, at the Date of Delivery),

the Registration Statement, the Rule 462(b) Registration Statement and any amendments and supplements thereto complied and will comply in all material respects with the requirements of the 1933 Act and the 1933 Act Regulations and did not and will not contain 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 not misleading, and the Prospectuses, any preliminary prospectuses and any supplement thereto or prospectus wrapper prepared in connection therewith, at their respective times of issuance and at the Closing Time, complied and will comply in all material respects with any applicable laws or regulations of foreign jurisdictions in which the Prospectuses and such preliminary prospectuses, as amended or supplemented, if applicable, are distributed in connection with the offer and sale of Reserved Securities. Neither of the Prospectuses nor any amendments or supplements thereto (including any prospectus wrapper), at the time the Prospectuses or any amendments or supplements thereto were issued and at the Closing Time (and, if any International Option Securities are purchased, at the Date of Delivery), included or will include an untrue statement of a material fact or omitted or will omit to state a material fact necessary in order to make the statements therein, in light of the circumstances under which they were made, not misleading. If Rule 434 is used, the Company will comply with the requirements of Rule 434 and the Prospectuses shall not be "materially different", as such term is used in Rule 434, from the prospectuses included in the Registration Statement at the time it became effective. The representations and warranties in this subsection shall not apply to statements in or omissions from the Registration Statement or the International Prospectus made in reliance upon and in conformity with information furnished to the Company in writing by any International Manager through the Lead Managers expressly for use in the Registration Statement or the International Prospectus.

Each preliminary prospectus and the prospectuses filed as part of the Registration Statement as originally filed or as part of any amendment thereto, or filed pursuant to Rule 424 under the 1933 Act, complied when so filed in all material respects with the 1933 Act Regulations and each preliminary prospectus and the Prospectuses delivered to the Underwriters for use in connection with this offering was identical to the electronically transmitted copies thereof filed with the Commission pursuant to EDGAR, except to the extent permitted by Regulation S-T.

(ii) Independent Accountants. The accountants who certified the

financial statements and supporting schedules included in the Registration Statement are independent public accountants as required by the 1933 Act and the 1933 Act Regulations.

(iii) Financial Statements. The combined financial statements

included in the Registration Statement and the Prospectuses, together with the related schedules and notes, present fairly the financial position of the Boston Properties Predecessor Group (as defined in the Registration Statement) at the dates indicated, and the combined statements of operations, owners' equity and cash flows of the Boston Properties

Predecessor Group for the periods specified; said financial statements have been prepared in conformity with generally accepted accounting principles ("GAAP") applied on a consistent basis throughout the periods involved. The supporting schedules included in the Registration Statement present fairly in accordance with GAAP the information required to be stated The unaudited pro forma condensed consolidated financial therein. statements and the related notes thereto included in the Registration Statement and the Prospectuses present fairly the information shown therein, have been prepared in accordance with the Commission's rules and guidelines with respect to pro forma financial statements and have been properly compiled on the bases described therein, and the assumptions used in the preparation thereof are reasonable and the adjustments used therein are appropriate to give effect to the transactions and circumstances referred to therein. The selected financial data and the summary financial information included in the Prospectuses present fairly the information shown therein and have been compiled on a basis consistent with that of the audited financial statements included in the Registration Statement. Other than the historical and pro forma financial statements (and schedules) included in the Registration Statement and Prospectuses, no other historical or pro forma financial statements (or schedules) are required by the 1933 Act or the 1933 Act Regulations to be included therein.

(iv) No Material Adverse Change in Business. Since the respective

dates as of which information is given in the Registration Statement and the Prospectuses, except as otherwise stated therein, (A) there has been no material adverse change in the condition, financial or otherwise, or in the earnings, business affairs or business prospects of the Company, the Operating Partnership or the Subsidiaries (as hereinafter defined) considered as one enterprise, whether or not arising in the ordinary course of business (a "Material Adverse Effect"), (B) no material casualty loss or material condemnation or other material adverse event with respect to any of the properties set forth in Schedule C hereto has occurred, (C) there have been no transactions entered into by the Company, the Operating Partnership or any of the Subsidiaries, other than those in the ordinary course of business, which are material with respect to the Company, the Operating Partnership and the Subsidiaries considered as one enterprise, and (D) there has been no dividend or distribution of any kind declared, paid or made by the Company on any class of its capital stock or by the Operating Partnership or any of its Subsidiaries with respect to its partnership interests or any class of its capital stock.

$\left(\nu\right)$ Good Standing of the Company. The Company has been duly

organized and is validly existing as a corporation in good standing under the laws of the State of Delaware and has corporate power and authority to own, lease and operate its properties and to conduct its business as described in the Prospectuses and to enter into and perform its obligations under this Agreement; and the Company is duly qualified as a foreign corporation to transact business and is in good standing in each other jurisdiction in which such qualification is required, whether by reason of the ownership or leasing of property or the conduct of business, except where the failure so to qualify or to be in good standing would not result in a Material Adverse Effect.

Company, including without limitation the Operating Partnership and the Development and Management Company, (each a "Subsidiary" and, collectively, the "Subsidiaries") has been duly organized and is validly existing as a general or limited partnership or corporation, as the case may be, in good standing (in the case of corporations and limited partnerships) under the laws of the jurisdiction of its organization, has partnership or corporate power and authority, as the case may be, to own, lease and operate its properties and to conduct its business as described in the Prospectuses and is duly qualified as a foreign partnership or corporation to transact business and is in good standing in each jurisdiction in which such qualification is required, whether by reason of the ownership or leasing of property or the conduct of business, except where the failure so to qualify or to be in good standing would not result in a Material Adverse Effect; all of the issued and outstanding capital stock of each of the Subsidiaries that is a corporation has been duly authorized and validly issued, is fully paid and non-assessable, and all of the partnership interests in each Subsidiary that is a partnership are validly issued and fully paid; except as otherwise disclosed in the Registration Statement, all such shares and interests, as the case may be, are owned by the Company, directly or through Subsidiaries, free and clear of any security interest, mortgage, pledge, lien, encumbrance, claim or equity; none of the outstanding shares of capital stock or partnership interests of any Subsidiary was issued in violation of the preemptive or similar rights of any securityholder of such Subsidiary.

(vii) Good Standing of Property Partnerships. Each of the Property

Partnerships (as defined in the Registration Statement) has been duly organized and is validly existing as a general or limited partnership, in good standing (in the case of limited partnerships) under the laws of the jurisdiction of its organization, has partnership power and authority to own, lease and operate its properties, to conduct its business as described in the Prospectuses and to enter into and perform its respective obligations under the Formation Transaction Documents and is duly qualified as a foreign partnership to transact business and is in good standing in each jurisdiction in which such qualification is required, whether by reason of the ownership or leasing of property or the conduct of business, except where the failure so to qualify or to be in good standing would not result in a Material Adverse Effect; all of the partnership interests in each Property Partnership are validly issued and fully paid; none of the outstanding partnership interests of any Property Partnership was issued in violation of the preemptive or similar rights of any securityholder of such Property Partnership.

(viii) Capitalization. The authorized capital stock of the Company $% \left(\left({{{\mathbf{x}}_{i}}} \right) \right)$

is as set forth in the Prospectuses under the caption "Description of Capital Stock" and the issued and outstanding capital stock of the Company, as of the Closing Time, will be as set forth in the Prospectuses under the caption "Capitalization." The shares of issued and outstanding capital stock of the Company have been duly authorized and validly issued and are fully paid and non-assessable; none of the outstanding shares of capital stock of

the Company was issued in violation of the preemptive or other similar rights of any securityholder of the Company.

(ix) Authorization of Agreement. This Agreement and the U.S.

Purchase Agreement have been duly authorized, executed and delivered by the Company and the Operating Partnership.

(x) Authorization and Description of Securities. The Securities to

be purchased by the International Managers and the U.S. Underwriters from the Company have been duly authorized for issuance and sale to the International Managers pursuant to this Agreement and the U.S. Underwriters pursuant to the U.S. Purchase Agreement, respectively, and, when issued and delivered by the Company pursuant to this Agreement and the U.S. Purchase Agreement, respectively, against payment of the consideration set forth herein and the U.S. Purchase Agreement, respectively, will be, as of the Closing Time, validly issued, fully paid and non-assessable; the Common Stock conforms, in all material respects, to all statements relating thereto contained in the Prospectuses and such description conforms, in all material respects, to the rights set forth in the instruments defining the same; no holder of the Securities will be subject to personal liability by reason of being such a holder; and the issuance of the Securities is not subject to the preemptive or other similar rights of any securityholder of the Company; the Company has duly reserved a sufficient number of shares of Common Stock for issuance upon exchange of outstanding OP Units in accordance with the Operating Partnership Agreement (as defined below).

(xi) Authorization of the Operating Partnership Agreement. The

Amended and Restated Limited Partnership Agreement of the Operating Partnership (the "Operating Partnership Agreement") has been duly and validly authorized, executed and delivered by the parties thereto.

(xii) Authorization and Description of OP Units. The OP Units to be

issued in connection with the Formation Transactions, including, without limitation, the OP Units to be issued to the Company, have been duly authorized for issuance by the Operating Partnership to the holders or prospective holders thereof, and at Closing Time will be validly issued, and fully paid and owned in the percentage amounts set forth in the Prospectuses by the Company and by the entities or persons described in the Prospectuses. The OP Units have been and will be offered, issued and sold at or prior to Closing Time in compliance with all applicable laws (including, without limitation, federal and state securities laws).

(xiii) Absence of Defaults and Conflicts. Neither the Company nor

any of its Subsidiaries is in violation of its charter or by-laws or in default in the performance or observance of any obligation, agreement, covenant or condition contained in any contract, indenture, mortgage, deed of trust, loan or credit agreement, note, lease or other agreement or instrument to which the Company or any of its Subsidiaries is a party

or by which it or any of them may be bound, or to which any of the property or assets of the Company or any Subsidiary is subject (collectively, "Agreements and Instruments") except for such defaults that would not result in a Material Adverse Effect; and the execution, delivery and performance of this Agreement and the U.S. Purchase Agreement and the consummation of the transactions contemplated in this Agreement, the U.S. Purchase Agreement and the Registration Statement (including the completion of the Formation Transactions, the issuance and sale of the Securities and the use of the proceeds from the sale of the Securities as described in the Prospectuses under the caption "Use of Proceeds") and compliance by the Company and the Operating Partnership with their obligations under this Agreement and the U.S. Purchase Agreement have been duly authorized by all necessary corporate or partnership action, as the case may be, and (except as contemplated by the Prospectuses) do not and will not, whether with or without the giving of notice or passage of time or both, conflict with or constitute a breach of, or default or Repayment Event (as defined below) under, or result in the creation or imposition of any lien, charge or encumbrance upon any property or assets of the Company or any Subsidiary pursuant to, the Agreements and Instruments or violations of any applicable law, statute, rule, regulation, judgment, order, writ or decree of any government, government instrumentality or court, domestic or foreign, having jurisdiction over the Company or any Subsidiary or any of their assets, properties or operations (except for such conflicts, breaches or defaults or liens, charges, encumbrances or violations that would not result in a Material Adverse Effect), nor will such action result in any violation of the provisions of the charter or by-laws of the Company or any Subsidiary. As used herein, a "Repayment Event" means any event or condition which gives the holder of any note, debenture or other evidence of indebtedness (or any person acting on such holder's behalf) the right to require the repurchase, redemption or repayment of all or a portion of such indebtedness by the Company or any Subsidiary.

Consummation of the Formation Transactions and compliance by the Company, its Subsidiaries and the Property Partnerships with their respective obligations under each of the documents relating thereto (collectively, the "Formation Transaction Documents") have been duly authorized by all necessary corporate or partnership action of such entities, as the case may be, and (except as contemplated by the Prospectuses) did not and will not violate or conflict with or constitute a breach of, or default under, or result in the creation or imposition of any lien, charge or encumbrance upon any of the Properties (as defined in the Registration Statement) or any other properties or assets of the Company or any of the Subsidiaries pursuant to any contract, indenture, mortgage, deed of trust, loan or credit agreement, note, lease or other agreement or instrument, including without limitation, any partnership agreement, to which the Company, any of the Subsidiaries or any Property Partnership is or was a party or by which it or any of them may be bound or affected, or to which any of the Properties or any other properties or assets of the Company or any of its Subsidiaries is subject (except for such violations, conflicts, breaches, defaults, liens, charges or encumbrances that would not result in a Material Adverse Effect); none of the Formation Transactions resulted or will result in

the violation of any provisions of the charter, by-laws, partnership agreements or other governing document of the Company, any of the Subsidiaries or any Property Partnership (except in each case as may have been waived by all applicable parties), or any applicable law, administrative regulation or administrative or court decree (except for such violations of any applicable law, administrative regulation or administrative or court decree that would not result in a Material Adverse Effect); all authorizations, consents and approvals necessary to consummate the Formation Transactions were timely obtained; and the offer, issuance and exchange of the OP Units and general partnership interests in the Operating Partnership, the issuance and sale by the Company of Common Stock prior to the date hereof will be exempt from the registration requirements of the 1933 Act and applicable state securities laws. At or prior to Closing Time, each of the Formation Transactions will have occurred, in all material respects, in the manner described in the Prospectuses.

(xiv) Authorization of the Formation Transaction Documents. Each of

the Formation Transaction Documents to which the Company, any of the Subsidiaries, any of the Property Partnerships or any affiliate of any such entity is a party has been duly authorized, executed and delivered by such party.

(xv) Absence of Labor Dispute. No material labor dispute with the

employees of the Company or any Subsidiary exists or, to the knowledge of the Company, is imminent.

(xvi) Absence of Proceedings. There is no action, suit, proceeding,

inquiry or investigation before or brought by any court or governmental agency or body, domestic or foreign, now pending, or, to the knowledge of the Company, threatened, against or affecting the Company or any Subsidiary, which is required to be disclosed in the Registration Statement (other than as disclosed therein), or which might reasonably be expected to result in a Material Adverse Effect, or which might reasonably be expected to materially and adversely affect the Properties or assets thereof or the consummation of the transactions contemplated in this Agreement, the U.S. Purchase Agreement and the Formation Transaction Documents or the performance by the parties of their obligations hereunder or thereunder; the aggregate of all pending legal or governmental proceedings to which the Company or any Subsidiary is a party or of which any of their respective property or assets, including without limitation the Properties, is the subject which are not described in the Registration Statement, including ordinary routine litigation incidental to the business, could not reasonably be expected to result in a Material Adverse Effect.

(xvii) Qualification as a REIT. Commencing with the taxable year

ending December 31, 1997, the Company will be organized in conformity with the requirements for qualification as a real estate investment trust (a "REIT") under the Internal Revenue Code 1986, as amended (the "Code"), and its proposed method of operation will enable it to meet the requirements for taxation as a REIT under the Code.

(xviii) Accuracy of Exhibits. There are no contracts or documents

which are required to be described in the Registration Statement or the Prospectuses or to be filed as exhibits thereto which have not been so described and filed as required.

(xix) New York Stock Exchange Listing. The Common Stock has been

approved for listing on the New York Stock Exchange, subject to an official notice of issuance.

(xx) Absence of Further Requirements. No filing with, or

authorization, approval, consent, license, order, registration, qualification or decree of, any court or governmental authority or agency is necessary or required for the performance by the Company and the Operating Partnership of their obligations hereunder, in connection with the offering, issuance or sale of the Securities under this Agreement and the U.S. Purchase Agreement or the consummation of the transactions contemplated by this Agreement, the U.S. Purchase Agreement and the Formation Transaction Documents, except (i) such as have been already obtained or as may be required under the 1933 Act or the 1933 Act Regulations and foreign or state securities or blue sky laws, (ii) such as have been obtained under the laws and regulations of jurisdictions outside the United States in which the Reserved Securities are offered and (iii) state filings in connection with the Formation Transactions (which state filings will be made prior to or at the Closing Time).

(xxi) Possession of Licenses and Permits. The Company and its

Subsidiaries possess such permits, licenses, approvals, consents and other authorizations (collectively, "Governmental Licenses") issued by the appropriate federal, state, local or foreign regulatory agencies or bodies necessary to conduct the business now operated by them; the Company and its Subsidiaries are in compliance with the terms and conditions of all such Governmental Licenses, except where the failure so to comply would not, singly or in the aggregate, have a Material Adverse Effect; all of the Governmental Licenses are valid and in full force and effect, except when the invalidity of such Governmental Licenses or the failure of such Governmental Licenses to be in full force and effect would not have a Material Adverse Effect; and neither the Company nor any of its Subsidiaries has received any notice of proceedings relating to the revocation or modification of any such Governmental Licenses which, singly or in the aggregate, if the subject of an unfavorable decision, ruling or finding, would result in a Material Adverse Effect.

(xxii) The Properties. (a) Upon consummation of the Formation

Transactions, the Operating Partnership and the Subsidiaries will have good and marketable title in fee simple to all of the Properties and good and marketable title to all other real properties owned by them, in each case, free and clear of all mortgages, pledges, liens, security interests, claims, restrictions or encumbrances of any kind except such as (i) are described in the Prospectuses or (ii) do not, singly or in the aggregate, materially affect the value of such property and do not interfere with the use made and proposed to be made of such property by the Company or any of its Subsidiaries; (b) all mortgages,

pledges, liens, security interests, claims, restrictions or encumbrances on or affecting the properties and assets (including without limitation the Properties) of the Company or any of the Subsidiaries that are required to be disclosed in the Prospectuses are disclosed therein; (c) neither the Company nor the Operating Partnership knows of any violation of any municipal, state or federal law, rule or regulation (including those pertaining to environmental matters) concerning the Properties or any part thereof which would, upon consummation of the Formation Transactions, have a Material Adverse Effect; (d) each of the Properties complies with all applicable zoning laws, ordinances, regulations and deed restrictions or other covenants in all material respects and, if and to the extent there is a failure to comply, such failure does not result in a Material Adverse Effect and will not result in a forfeiture or reversion of title; (e) none from any governmental authority any Written notice of any condemnation of or zoning change affecting the Properties or any part thereof, and none of the Company, any Subsidiary nor any Property Partnership knows of any such condemnation or zoning change which is threatened and which if consummated would have a Material Adverse Effect; and (f) no lessee of any portion of any of the Properties or any of the lease governing such any of the Properties is in default under any of the leases governing such Properties and there is no event which, but for the passage of time or the giving of notice or both, would constitute a default under any of such leases, except such defaults that would not have a Material Adverse Effect.

(xxiii) Insurance. Upon consummation of the Formation Transactions,

the Company and each of the Subsidiaries will be insured by insurers of recognized financial responsibility against such losses and risks and in such amounts as are prudent and customary in the businesses in which they will be engaged; and neither the Company nor any of the Subsidiaries has any reason to believe that any of them will not be able to renew its existing insurance coverage as and when such coverage expires or to obtain similar coverage from similar insurers as may be necessary to continue its business.

(xxiv) Taxes. The Company and each of the Subsidiaries has filed all

material foreign, federal, state and local tax returns that are required to be filed or have requested extensions thereof (except in any case in which the failure so to file would not, upon consummation of the Formation Transactions, have a Material Adverse Effect) and has paid all taxes required to be paid by it and any other assessment, fine or penalty levied against it, to the extent that any of the foregoing is due and payable, except for any such assessment, fine or penalty that is currently being contested in good faith or as described in or contemplated by the Prospectuses.

(xxv) Mortgages and Deeds of Trust. Except as set forth in the

Registration Statement and the Prospectuses, the mortgages and deeds of trust encumbering the properties and assets described in the Prospectus are not convertible and neither the Company, any of its Subsidiaries, any Property Partnership, nor any person affiliated therewith holds a participating interest therein, and such mortgages and deeds of trust are

not cross-defaulted or cross-collateralized to any property not owned directly or indirectly by the Company or any of its Subsidiaries.

(xxvi) Compliance with Cuba Act. The Company has complied with, and

is and will be in compliance with, the provisions of that certain Florida act relating to disclosure of doing business with Cuba, codified as Section 517.075 of the Florida statutes, and the rules and regulations thereunder (collectively, the "Cuba Act") or is exempt therefrom.

(xxvii) Investment Company Act. The Company and the Operating

Partnership are not, and upon the issuance and sale of the Securities as herein contemplated and the application of the net proceeds therefrom as described in the Prospectuses will not be, an "investment company" as such term is defined in the Investment Company Act of 1940, as amended (the "1940 Act").

(xxviii) Environmental Laws. Except as otherwise disclosed in the

Prospectuses or in the Phase I Environmental Site Assessments and Asbestos Survey Reports previously delivered to the U.S. Representatives and International Managers or their counsel (the "Environmental Reports"), (i) the Company, its Subsidiaries and the Property Partnerships have been and are in compliance with applicable Environmental Statutes; (ii) neither the Company, any of the Subsidiaries, the Property Partnerships, nor, to the best knowledge of the Company, any other owners of the property at any time or any other party has at any time released (as such term is defined in Section 101(22) of CERCLA (as hereinafter defined)) or otherwise disposed of or dealt with, Hazardous Materials (as hereinafter defined) on, to or from the Properties, except for such releases as would not be reasonably likely to cause the Company to incur material liability that would require disclosure pursuant to federal or state laws regulating the issuance of securities; (iii) the Company does not intend to use the Properties or any subsequently acquired properties, other than in compliance with applicable Environmental Statutes (as hereinafter defined); (iv) neither the Company nor any of the Subsidiaries knows of any seepage, leak, discharge, release, emission, spill or dumping of Hazardous Materials into waters (including, but not limited, to groundwater and surface water) on, beneath or adjacent to the Properties or onto lands from which Hazardous Materials might seep, flow or drain into such waters; (v) neither the Company nor any of the Subsidiaries has received any notice of, or has any knowledge of any occurrence or circumstance which, with notice or passage of time or both, would give rise to a claim under or pursuant to any Environmental Statute or common law with respect to the Properties or the assets described in the Prospectus or arising out of the conduct of the Company, its Subsidiaries, or the Property Partnerships, except for such claims that would not be reasonably likely to cause the Company to incur material liability that would require disclosure pursuant to federal or state laws regulating the issuance of securities; (vi) neither the Properties nor any other land owned by the Company or any of the Subsidiaries is included or, to the best of the Company's knowledge, proposed for inclusion on the National Priorities List issued pursuant to CERCLA by the United States Environmental Protection Agency (the "EPA") or to the best of the Company's

knowledge, proposed for inclusion on any similar list or inventory issued pursuant to any other Environmental Statute or issued by any other Governmental Authority (as hereinafter defined).

As used herein, "Hazardous Material" shall include, without limitation any flammable explosives, radioactive materials, hazardous materials, hazardous wastes, toxic substances, or related materials, asbestos or any hazardous material as defined by any federal, state or local environmental law, ordinance, rule or regulation including, without limitation, the Comprehensive Environmental Response, Compensation, and Liability Act of 1980, as amended, 42 U.S.C. (S)(S) 9601-9675 ("CERCLA"), the Hazardous Materials Transportation Act, as amended, 49 U.S.C. (S)(S) 1801-1819, the Resource Conservation and Recovery Act, as amended, 42 U.S.C. (S)(S) 6901-K, the Emergency Planning and Community Right-to-Know Act of 1986, 42 U.S.C. (S)(S) 11001-11050, the Toxic Substances Control Act, 15 U.S.C. (S)(S) 2601-2671, the Federal Insecticide, Fungicide and Rodenticide Act, 7 U.S.C. (S)(S) 136-136y, the Clean Air Act, 42 U.S.C. (S)(S) 7401-7642, the Clean Water Act (Federal Water Pollution Control Act), 33 U.S.C. (S)(S) 1251-1387, the Safe Drinking Water Act, 42 U.S.C. (S)(S) 300f-300j-26, and the Occupational Safety and Health Act, 29 U.S.C. (S)(S) 651-678, as any of the above statutes may be amended from time to time, and in the regulations promulgated pursuant to each of the foregoing (including environmental statues not specifically defined herein) (individually, an "Environmental statue" and collectively "Environmental Statutes") or by any federal, state or local governmental authority having or claiming jurisdiction over the properties and assets described in the Prospectus (a "Governmental Authority").

(xxix) Registration Rights. Except as described in the Registration

Statement, there are no persons with registration rights or other similar rights to have any securities registered pursuant to the Registration Statement or otherwise registered by the Company under the 1933 Act.

(b) Officer's Certificates. Any certificate signed by any officer of the Company or any of its subsidiaries delivered to the Global Coordinators, the Lead Managers or to counsel for the International Managers shall be deemed a representation and warranty solely by the Company to each International Manager as to the matters covered thereby.

SECTION 2. Sale and Delivery to International Managers; Closing.

(a) Initial Securities. On the basis of the representations and warranties herein contained and subject to the terms and conditions herein set forth, the Company agrees to sell to each International Manager, severally and not jointly, and each International Manager, severally and not jointly, agrees to purchase from the Company, at the price per share set forth in Schedule B, the number of Initial International Securities set forth in Schedule A opposite the name of such International Manager, plus any additional number of Initial International

Securities which such International Manager may become obligated to purchase pursuant to the provisions of Section 10 hereof.

(b) Option Securities. In addition, on the basis of the representations and warranties herein contained and subject to the terms and conditions herein set forth, the Company hereby grants an option to the International Managers, severally and not jointly, to purchase up to an additional 942,000 shares of Common Stock at the price per share set forth in Schedule B, less an amount per share equal to any dividends or distributions declared by the Company and payable on the Initial International Securities but not payable on the International Option Securities. The option hereby granted will expire 30 days after the date hereof and may be exercised in whole or in part from time to time only for the purpose of covering over-allotments which may be made in connection with the offering and distribution of the Initial International Securities upon notice by the Global Coordinators to the Company setting forth the number of International Option Securities as to which the several International Managers are then exercising the option and the time and date of payment and delivery for such International Option Securities. Any such time and date of delivery for the International Option Securities (a "Date of Delivery") shall be determined by the Global Coordinators, but shall not be earlier than two nor later than seven full business days after the exercise of said option, nor in any event prior to the Closing Time, as hereinafter defined. If the option is exercised as to all or any portion of the International Option Securities, each of the International Managers, acting severally and not jointly, will purchase that proportion of the total number of International Option Securities then being purchased which the number of Initial International Securities set forth in Schedule A opposite the name of such International Manager bears to the total number of Initial International Securities, subject in each case to such adjustments as the Global Coordinators in their discretion shall make to eliminate any sales or purchases of fractional shares

(c) Payment. Payment of the purchase price for, and delivery of certificates for, the Initial Securities shall be made at the offices of Goodwin, Procter & Hoar LLP, Exchange Place, Boston, Massachusetts, or at such other place as shall be agreed upon by the Global Coordinators and the Company, at 9:00 A.M. (Eastern time) on the third (fourth, if the pricing occurs after 4:30 P.M. (Eastern time) on any given day) business day after the date hereof (unless postponed in accordance with the provisions of Section 10), or such other time not later than ten business days after such date as shall be agreed upon by the Global Coordinators and the Company (such time and date of payment and delivery being herein called "Closing Time").

In addition, in the event that any or all of the International Option Securities are purchased by the International Managers, payment of the purchase price for, and delivery of certificates for, such International Option Securities shall be made at the above-mentioned offices, or at such other place as shall be agreed upon by the Global Coordinators and the Company, on each Date of Delivery as specified in the notice from the Global Coordinators to the Company.

Payment shall be made to the Company by wire transfer of immediately available funds to a bank account designated by the Company, against delivery to the Lead Managers for the

respective accounts of the International Managers of certificates for the International Securities to be purchased by them. It is understood that each International Manager has authorized the Lead Managers, for its account, to accept delivery of, receipt for, and make payment of the purchase price for, the Initial International Securities and the International Option Securities, if any, which it has agreed to purchase. Merrill Lynch (Int'l) or Goldman Sachs (Int'l), individually and not as representatives of the International Managers, may (but shall not be obligated to) make payment of the purchase price for the Initial International Securities or the International Option Securities, if any, to be purchased by any International Manager whose funds have not been received by the Closing Time or the relevant Date of Delivery, as the case may be, but such payment shall not relieve such International Manager from its obligations hereunder.

(d) Denominations; Registration. Certificates for the Initial International Securities and the International Option Securities, if any, shall be in such denominations and registered in such names as the Lead Managers may request in writing at least one full business day before the Closing Time or the relevant Date of Delivery, as the case may be. The certificates for the Initial International Securities and the International Option Securities, if any, will be made available for examination and packaging by the Lead Managers in The City of New York not later than 10:00 A.M. (Eastern time) on the business day prior to the Closing Time or the relevant Date of Delivery, as the case may be.

SECTION 3. Covenants of the Company. Each of the Company and the Operating Partnership covenants with each International Manager as follows:

(a) Compliance with Securities Regulations and Commission Requests. The Company, subject to Section 3(b), will comply with the requirements of Rule 430A or Rule 434, as applicable, and will notify the Global Coordinators promptly, and confirm the notice in writing, (i) when any post-effective amendment to the Registration Statement shall become effective, or any supplement to the Prospectuses or any amended Prospectuses shall have been filed, (ii) of the receipt of any comments from the Commission, (iii) of any request by the Commission for any amendment to the Registration Statement or any amendment or supplement to the Prospectuses or for additional information, and (iv) of the issuance by the Commission of any stop order suspending the effectiveness of the Registration Statement or of any order preventing or suspending the use of any preliminary prospectus, or of the suspension of the qualification of the Securities for offering or sale in any jurisdiction, or of the initiation or threatening of any proceedings for any of such purposes. The Company will promptly effect the filings necessary pursuant to Rule 424(b) The and will take such steps as it deems necessary to ascertain promptly whether the form of prospectus transmitted for filing under Rule 424(b) was received for filing by the Commission and, in the event that it was not, it will promptly file such prospectus. The Company will make every reasonable effort to prevent the issuance of any stop order and, if any stop order is issued, to obtain the lifting thereof at the earliest possible moment.

(b) Filing of Amendments. The Company will give the Global Coordinators notice of its intention to file or prepare any amendment to the Registration Statement (including any filing under Rule 462(b)), any Term Sheet or any amendment, supplement or revision to either the prospectus included in the Registration Statement at the time it became effective or to the Prospectuses, will furnish the Global Coordinators with copies of any such documents a reasonable amount of time prior to such proposed filing or use, as the case may be, and will not file or use any such document to which the Global Coordinators or counsel for the International Managers shall reasonably object.

(c) Delivery of Registration Statements. The Company has furnished or, upon request, will deliver to the Lead Managers and counsel for the International Managers, without charge, signed copies of the Registration Statement as originally filed and of each amendment thereto (including exhibits filed therewith or incorporated by reference therein) and signed copies of all consents and certificates of experts, and will also deliver to the Lead Managers, without charge, a conformed copy of the Registration Statement as originally filed and of each amendment thereto (without exhibits) for each of the International Managers. The copies of the Registration Statement and each amendment thereto furnished to the International Managers will be identical to the electronically transmitted copies thereof filed with the Commission pursuant to EDGAR, except to the extent permitted or required by Regulation S-T.

(d) Delivery of Prospectuses. The Company has delivered to each International Manager, without charge, as many copies of each preliminary prospectus as such International Manager reasonably requested, and the Company hereby consents to the use of such copies for purposes permitted by the 1933 Act in connection with the offering of the Securities. The Company will furnish to each International Manager, without charge, during the period when the International Prospectus is required to be delivered under the 1933 Act or the Securities Exchange Act of 1934 (the "1934 Act"), such number of copies of the International Prospectus (as amended or supplemented) as such International Manager may reasonably request. The International Prospectus and any amendments or supplements thereto furnished to the International Managers will be identical to the electronically transmitted copies thereof filed with the Commission pursuant to EDGAR, except to the extent permitted or required by Regulation S-T.

(e) Continued Compliance with Securities Laws. The Company will comply with the 1933 Act and the 1933 Act Regulations so as to permit the completion of the distribution of the Securities as contemplated in this Agreement, the U.S. Purchase Agreement and in the Prospectuses. If at any time when a prospectus is required by the 1933 Act to be delivered in connection with sales of the Securities, any event shall occur or condition shall exist as a result of which it is necessary, in the reasonable opinion of counsel for the International Managers or for the Company, to amend the Registration Statement or amend or supplement any Prospectus in order that the Prospectuses will not include any untrue statements of a material fact or omit to state a material fact necessary in order to make the statements therein not misleading in the light of the circumstances

existing at the time it is delivered to a purchaser, or if it shall be necessary, in the reasonable opinion of such counsel, at any such time to amend the Registration Statement or amend or supplement any Prospectus in order to comply with the requirements of the 1933 Act or the 1933 Act Regulations, the Company will promptly prepare and file with the Commission, subject to Section 3(b), such amendment or supplement as may be necessary to correct such statement or omission or to make the Registration Statement or the Prospectuses comply with such requirements, and the Company will furnish to the International Managers such number of copies of such amendment or supplement as the International Managers may reasonably request.

(f) Blue Sky Qualifications. The Company will use its best efforts, in cooperation with the International Managers, to qualify, if necessary, the Securities for offering and sale under the applicable securities laws of such states and other jurisdictions (domestic or foreign) as the Global Coordinators may designate and to maintain such qualifications in effect for a period of not more than one year from the later of the effective date of the Registration Statement and any Rule 462(b) Registration Statement; provided, however, that the Company shall not be obligated to file any general consent to service of process or to qualify as a foreign corporation or as a dealer in securities in any jurisdiction in which it is not so qualified or to subject itself to taxation in respect of doing business in any jurisdiction in which it is not otherwise so subject. In each jurisdiction in which the Securities have been so qualified, the Company will file such statements and reports as may be required by the laws of such jurisdiction to continue such qualification in effect for a period of not more than one year from the effective date of the Registration Statement and any Rule 462(b) Registration Statement

(g) Rule 158. The Company will timely file such reports pursuant to the 1934 Act as are necessary in order to make generally available to its securityholders as soon as practicable an earnings statement for the purposes of, and to provide the benefits contemplated by, the last paragraph of Section 11(a) of the 1933 Act.

(h) Use of Proceeds. The Company will use the net proceeds received by it from the sale of the Securities in the manner specified in the Prospectuses under "Use of Proceeds".

(i) Listing. The Company will use its best efforts to effect the listing of the Common Stock (including the Securities) on the New York Stock Exchange.

(j) Restriction on Sale of Securities. During a period of one year from the date of the Prospectuses, the Company and the Operating Partnership will not, without the prior written consent of the Global Coordinators, (i) directly or indirectly, offer, pledge, sell, contract to sell, sell any option or contract to purchase, purchase any option or contract to sell, grant any option, right or warrant to purchase or otherwise transfer or dispose of any share of Common Stock or OP Units or any securities convertible into or exercisable or exchangeable for Common Stock or OP Units, or file any registration

statement under the 1933 Act with respect to any of the foregoing or (ii) enter into any swap or any other agreement or any transaction that transfers, in whole or in part, directly or indirectly, the economic consequence of ownership of the Common Stock, whether any such swap or transaction described in clause (i) or (ii) above is to be settled by delivery of Common Stock or such other securities, in cash or otherwise. The foregoing sentence shall not apply to (A) the Securities to be sold hereunder or under the U.S. Purchase Agreement or (B) any shares of Common Stock issued or options to purchase Common Stock granted pursuant to existing employee benefit plans of the Company referred to in the Prospectuses or any employee benefit plans of the Company which have been approved by the requisite vote of the stockholders of the Company at a duly called meeting of stockholders.

(k) Lock-up Agreements. The Company will use its best efforts to cause each holder of Common Stock or OP Units issued in connection with the Formation Transactions to enter into a written agreement, in form and substance satisfactory to Merrill Lynch (Int'l) and Goldman Sachs (Int'l), on behalf of the Underwriters, to the effect set forth in Exhibit A hereto.

(1) Qualification as a REIT. The Company will use its best efforts to meet the requirements to qualify, for the taxable year ending December 31, 1997, as a REIT under the Code.

(m) Compliance with NASD Rules. The Company hereby agrees that it will ensure that the Reserved Securities will be restricted as required by the National Association of Securities Dealers, Inc. (the "NASD") or the NASD rules from sale, transfer, assignment, pledge or hypothecation for a period of three months following the date of this Agreement. The Underwriters will notify the Company as to which persons will need to be so restricted. At the request of the Underwriters, the Company will direct the transfer agent to place a stop transfer restriction upon such securities for such period of time. Should the Company release, or seek to release, from such restrictions any of the Reserved Securities, the Company agrees to reimburse the Underwriters for any reasonable expenses (including, without limitation, legal expenses) they incur in connection with such release.

(n) Compliance with Rule 463. The Company will file with the Commission such reports on Form SR as may be required pursuant to Rule 463 of the 1933 Act Regulations.

SECTION 4. Payment of Expenses. (a) Expenses. The Company will pay all

expenses incident to the performance of its obligations under this Agreement, including (i) the preparation, printing and filing of the Registration Statement (including financial statements and exhibits) as originally filed and of each amendment thereto, (ii) the preparation, printing and delivery to the Underwriters of this Agreement, any Agreement among Underwriters and such other documents as may be required in connection with the offering, purchase, sale, issuance or delivery of the

Securities, (iii) the preparation, issuance and delivery of the certificates for the Securities to the Underwriters, including any stock or other transfer taxes and any stamp or other duties payable upon the sale, issuance or delivery of the Securities to the Underwriters and the transfer of the Securities between the U.S. Underwriters and the International Managers, (iv) the fees and disbursements of the Company's counsel, accountants and other advisors, (v) the qualification or registration (or exemption therefrom) of the Securities under securities laws in accordance with the provisions of Section 3(f) hereof, including filing fees and the reasonable fees and disbursements of counsel for the Underwriters in connection therewith and in connection with the preparation of the Blue Sky Survey and any supplement thereto, (vi) the printing and delivery to the Underwriters of copies of each preliminary prospectus, any Term Sheets and of the Prospectuses and any amendments or supplements thereto, (vii) the preparation, printing and delivery to the Underwriters of copies of the Blue Sky Survey and any supplement thereto, (viii) the fees and expenses of any transfer agent or registrar for the Securities and (ix) the filing fees incident to, and the reasonable fees and disbursements of counsel to the Underwriters in connection with, the review by the NASD of the terms of the sale of the Securities, (x) the fees and expenses incurred in connection with the listing of the Securities on the New York Stock Exchange and (xi) all costs and expenses of the Underwriters, including the fees and disbursements of counsel for the Underwriters, in connection with matters related to the Reserved Securities which are designated by the Company for sale to employees and others having a business relationship with the Company.

(b) Termination of Agreement. If this Agreement is terminated by the Lead Managers in accordance with the provisions of Section 5 or Section 9(a)(i) hereof, the Company shall reimburse the International Managers for all of their out-of-pocket expenses, including the reasonable fees and disbursements of counsel for the International Managers.

SECTION 5. Conditions of International Managers' Obligations. The

obligations of the several International Managers hereunder are subject to the accuracy of the representations and warranties of the Company contained in Section 1 hereof or in certificates of any officer of the Company or any subsidiary of the Company delivered pursuant to the provisions hereof, to the performance by the Company of its covenants and other obligations hereunder, and to the following further conditions:

(a) Effectiveness of Registration Statement. The Registration Statement, including any Rule 462(b) Registration Statement, has become effective and at Closing Time no stop order suspending the effectiveness of the Registration Statement shall have been issued under the 1933 Act or proceedings therefor initiated or threatened by the Commission, and any request on the part of the Commission for additional information shall have been complied with to the reasonable satisfaction of counsel to the International Managers. A prospectus containing the Rule 430A Information shall have been filed with the Commission in accordance with Rule 424(b) (or a post-effective amendment providing such information shall have been filed and declared effective in accordance with the requirements of Rule 430A) or, if the Company has elected to rely

upon Rule 434, a Term Sheet shall have been filed with the Commission in accordance with Rule 424(b).

(b) Opinion of Counsel for Company. At Closing Time, the Lead Managers shall have received the favorable opinion, dated as of Closing Time, of Goodwin, Procter & Hoar LLP, counsel for the Company and the Operating Partnership, in form and substance satisfactory to counsel for the International Managers, together with signed or reproduced copies of such letter for each of the other International Managers to the effect set forth in Exhibit B hereto and to such further effect as counsel to the International Managers may reasonably request.

(c) Opinion of General Counsel of Company. At Closing Time, the Lead Managers shall have received the favorable opinion, dated as of Closing Time, of Frederick J. DeAngelis, General Counsel of the Company, in form and substance satisfactory to counsel for the International Managers, together with signed or reproduced copies of such letter for each of the other International Managers, to the effect set forth in Exhibit B hereto and to such further effect as counsel to the International Managers may reasonably request.

(d) Opinion of Counsel for International Managers. At Closing Time, the Lead Managers shall have received the favorable opinion, dated as of Closing Time, of Skadden, Arps, Slate, Meagher & Flom LLP, counsel for the International Managers, together with signed or reproduced copies of such letter for each of the other International Managers with respect to the matters set forth in clauses (i), (x), (xi), (solely as to preemptive or other similar rights arising by operation of law or under the charter or by-laws of the Company), (xiv) through (xvi), inclusive, and the penultimate paragraph of Exhibit B hereto.

In giving the opinions described in paragraphs (b), (c) and (d) above, each counsel may rely, as to all matters governed by the laws of jurisdictions other than the law of the State of New York, the Commonwealth of Massachusetts, the federal law of the United States and the General Corporation Law of the State of Delaware, upon the opinions of counsel satisfactory to the Lead Managers. Such counsel may also state that, insofar as such opinion involves factual matters, they have relied, to the extent they deem proper, upon certificates of officers of the Company and its Subsidiaries and certificates of public officials.

(e) Officers' Certificate. At Closing Time, there shall not have been, since the date hereof or since the respective dates as of which information is given in the Prospectuses, any material adverse change in the condition, financial or otherwise, or in the earnings, business affairs or business prospects of the Company, the Operating Partnership and the Subsidiaries considered as one enterprise, whether or not arising in the ordinary course of business, and the Lead Managers shall have received a certificate of the President or a Vice President of the Company and of the chief financial or chief accounting officer of the Company and appropriate officers of the Company, as General

Partner, on behalf of the Operating Partnership, dated as of Closing Time, to the effect that (i) there has been no such material adverse change, (ii) the representations and warranties in Section 1(a) hereof are true and correct in all material respects with the same force and effect as though expressly made at and as of Closing Time, (iii) the Company has complied in all material respects with all agreements and satisfied all conditions on its part to be performed or satisfied at or prior to Closing Time, and (iv) no stop order suspending the effectiveness of the Registration Statement has been issued and no proceedings for that purpose have been instituted or are pending or are contemplated by the Commission.

(f) Accountant's Comfort Letter. At the time of the execution of this Agreement, the Lead Managers shall have received from Coopers & Lybrand L.L.P. a letter dated such date, in form and substance satisfactory to the Lead Managers, together with signed or reproduced copies of such letter for each of the other International Managers containing statements and information of the type ordinarily included in accountants' "comfort letters" to underwriters with respect to the financial statements and certain financial information contained in the Registration Statement and the Prospectuses.

(g) Bring-down Comfort Letter. At Closing Time, the Lead Managers shall have received from Coopers & Lybrand L.L.P. a letter, dated as of Closing Time, to the effect that they reaffirm the statements made in the letter furnished pursuant to subsection (f) of this Section, except that the specified date referred to shall be a date not more than three business days prior to Closing Time.

(h) Approval of Listing. At Closing Time, the Securities shall have been approved for listing on the New York Stock Exchange, subject only to official notice of issuance.

(i) No Objection. The NASD has confirmed that it has not raised any objection with respect to the fairness and reasonableness of the underwriting terms and arrangements.

(j) Lock-up Agreements. At the date of this Agreement, the Lead Managers shall have received the agreements described in Section 3(k) hereof.

(k) Purchase of Initial U.S. Securities. Contemporaneously with the purchase by the International Managers of the Initial International Securities under this Agreement, the U.S. Underwriters shall have purchased the Initial U.S. Securities under the U.S. Purchase Agreement.

(1) Conditions to Purchase of International Option Securities. In the event that the International Managers exercise their option provided in Section 2(b) hereof to purchase all or any portion of the International Option Securities, the representations and warranties of the Company contained herein and the statements in any certificates furnished by the Company or any subsidiary of the Company hereunder shall be true and correct as of each Date of Delivery and, at the relevant Date of Delivery, the Lead Managers shall have received:

(i) Officers' Certificate. A certificate, dated such Date of

Delivery, of the President or a Vice President of the Company and of the chief financial or chief accounting officer of the Company confirming that the certificate delivered at the Closing Time pursuant to Section 5(e) hereof remains true and correct as of such Date of Delivery.

(ii) Opinion of Counsel for Company. The favorable opinion of

Goodwin, Procter & Hoar LLP, counsel for the Company and the Operating Partnership, in form and substance satisfactory to counsel for the International Managers, dated such Date of Delivery, relating to the International Option Securities to be purchased on such Date of Delivery and otherwise to the same effect as the opinion required by Section 5(b) hereof.

(iii) Opinion of General Counsel for Company. The favorable opinion $% \left(\left({{{\left({{{{\left({{{}_{{\rm{c}}}} \right)}} \right)}_{{\rm{c}}}}}} \right)$

of of Frederick J. DeAngelis, General Counsel of the Company, in form and substance satisfactory to counsel for the International Managers, dated such Date of Delivery, relating to the International Option Securities to be purchased on such Date of Delivery and otherwise to the same effect as the opinion required by Section 5(c) hereof.

(iv) Opinion of Counsel for International Managers. The favorable

opinion of Skadden, Arps, Slate, Meagher & Flom LLP, counsel for the International Managers, dated such Date of Delivery, relating to the International Option Securities to be purchased on such Date of Delivery and otherwise to the same effect as the opinion required by Section 5(d) hereof.

(v) Bring-down Comfort Letter. A letter from Coopers & Lybrand

L.L.P., in form and substance satisfactory to the Lead Managers and dated such Date of Delivery, substantially in the same form and substance as the letter furnished to the Lead Managers pursuant to Section 5(g) hereof, except that the "specified date" in the letter furnished pursuant to this paragraph shall be a date not more than five days prior to such Date of Delivery.

(m) Additional Documents. At Closing Time and at each Date of Delivery, counsel for the International Managers shall have been furnished with such documents and opinions as they may reasonably require for the purpose of enabling them to pass upon the issuance and sale of the Securities as herein contemplated, or in order to evidence the accuracy of any of the representations or warranties, or the fulfillment of any of the conditions, herein contained; and all proceedings taken by the Company in connection with the issuance and sale of the Securities

as herein contemplated shall be reasonably satisfactory in form and substance to the Lead Managers and counsel for the International Managers.

(n) Termination of Agreement. If any condition specified in this Section shall not have been fulfilled when and as required to be fulfilled, this Agreement, or, in the case of any condition to the purchase of International Option Securities on a Date of Delivery which is after the Closing Time, the obligations of the several International Managers to purchase the relevant Option Securities may be terminated by the Lead Managers by notice to the Company at any time at or prior to Closing Time or such Date of Delivery, as the case may be, and such termination shall be without liability of any party to any other party except as provided in Section 4 and except that Sections 1, 6, 7 and 8 shall survive any such termination and remain in full force and effect.

SECTION 6. Indemnification.

.

(a) Indemnification of International Managers. The Company and the Operating Partnership jointly agree to indemnify and hold harmless each International Manager and each person, if any, who controls any International Manager within the meaning of Section 15 of the 1933 Act or Section 20 of the 1934 Act as follows:

(i) against any and all loss, liability, claim, damage and expense whatsoever, as incurred, arising out of any untrue statement or alleged untrue statement of a material fact contained in the Registration Statement (or any amendment thereto), including the Rule 430A Information and the Rule 434 Information, if applicable, or the omission or alleged omission therefrom of a material fact required to be stated therein or necessary to make the statements therein not misleading or arising out of any untrue statement or alleged untrue statement of a material fact included in any preliminary prospectus or the Prospectuses (or any amendment or supplement thereto), or the omission or alleged omission therefrom of a material fact necessary in order to make the statements therein, in the light of the circumstances under which they were made, not misleading;

(ii) against any and all loss, liability, claim, damage and expense whatsoever, as incurred, arising out of (A) the violation of any applicable laws or regulations of foreign jurisdictions where Reserved Securities have been offered and (B) any untrue statement or alleged untrue statement of a material fact included in the supplement or prospectus wrapper material distributed in [Canada] in connection with the reservation and sale of the Reserved Securities to eligible employees and persons having business relationships with the Company or the omission or alleged omission therefrom of a material fact necessary to make the statements therein, when considered in conjunction with the Prospectuses or preliminary prospectuses. not misleading:

(iii) against any and all loss, liability, claim, damage and expense whatsoever, as incurred, to the extent of the aggregate amount paid in settlement of any litigation, or any investigation or proceeding by any governmental agency or body, commenced or

threatened, or of any claim whatsoever based upon any such untrue statement or omission, or any such alleged untrue statement or omission or in connection with any violation of the nature referred to in Section 6(a)(ii)(A) hereof; provided that (subject to Section 6(d) below) any such settlement is effected with the written consent of the Company; and

(iv) against any and all expense whatsoever, as incurred (including the fees and disbursements of counsel chosen by Merrill Lynch (Int'l) and Goldman Sachs (Int'l), reasonably incurred in investigating, preparing or defending against any litigation, or any investigation or proceeding by any governmental agency or body, commenced or threatened, or any claim whatsoever based upon any such untrue statement or omission, or any such alleged untrue statement or omission or in connection with any violation of the nature referred to in Section 6(a)(ii)(A) hereof, to the extent that any such expense is not paid under (i) or (ii) above;

provided, however, that this indemnity agreement shall not apply to any loss,

liability, claim, damage or expense to the extent arising out of (A) any untrue statement or omission or alleged untrue statement or omission made in reliance upon and in conformity with written information furnished to the Company and the Operating Partnership by any International Manager through the Lead Managers expressly for use in the Registration Statement (or any amendment thereto), including the Rule 430A Information and the Rule 434 Information, if applicable, or any preliminary prospectus or the International Prospectus (or any amendment or supplement thereto) or (B) the fact that such International Manager sold Securities to a person as to whom it shall be established that there was not sent or given, at or prior to the written confirmation of such sale, a copy of the International Prospectus or of the International Prospectus as then amended or supplemented in any case where such delivery is required by the 1933 Act if the Company has previously furnished copies thereof in sufficient quantity to such International Manager and the loss, claim, damage or liability of such International Manager results from an untrue statement or omission of a material fact contained in any preliminary prospectus or International Prospectus (or any amendment or supplement thereto), which was corrected in the International Prospectus or in the International Prospectus as then amended or supplemented, and delivery would have cured the defect giving rise to such loss, claim, damage or liability.

(b) Indemnification of Company, Directors and Officers. Each International Manager severally agrees to indemnify and hold harmless the Company, its directors, each of its officers who signed the Registration Statement, and each person, if any, who controls the Company within the meaning of Section 15 of the 1933 Act or Section 20 of the 1934 Act against any and all loss, liability, claim, damage and expense described in the indemnity contained in subsection (a) of this Section, as incurred, but only with respect to untrue statements or omissions, or alleged untrue statements or omissions, made in the Registration Statement (or any amendment thereto), including the Rule 430A Information and the Rule 434 Information, if applicable, or any preliminary international prospectus or the International Prospectus (or any amendment or supplement thereto) in reliance upon and in conformity with written information furnished to the Company by such International Manager through the Lead Managers expressly

for use in the Registration Statement (or any amendment thereto) or such preliminary prospectus or the International Prospectus (or any amendment or supplement thereto). The Company and the Operating Partnership acknowledge that the statements set forth in the last paragraph of the cover page and in the second, fifth and twelfth through fifteenth paragraphs under the caption "Underwriting" in the Prospectus constitute the only information furnished in writing by or on behalf of any Underwriter expressly for use in the Registration Statement relating to the Securities as originally filed or in any amendment thereof, a related preliminary prospectus or the Prospectuses or in any amendment thereof or supplement thereto, as the case may be.

(c) Actions against Parties; Notification. Each indemnified party shall give notice as promptly as reasonably practicable to each indemnifying party of any action commenced against it in respect of which indemnity may be sought hereunder, but failure to so notify an indemnifying party shall not relieve such indemnifying party from any liability hereunder to the extent it is not materially prejudiced as a result thereof and in any event shall not relieve it from any liability which it may have otherwise than on account of this indemnity agreement. In the case of parties indemnified pursuant to Section 6(a) above, counsel to the indemnified parties shall be selected by Merrill Lynch (Int'l) and Goldman Sachs (Int'l), and, in the case of parties indemnified pursuant to Section 6(b) above, counsel to the indemnified parties shall be selected by the Company. An indemnifying party may participate at its own expense in the defense of any such action; provided, however, that counsel to the indemnifying party shall not (except with the consent of the indemnified party) also be counsel to the indemnified party. Notwithstanding the foregoing, if it so elects within a reasonable time after receipt of such notice, an indemnifying party, jointly with any other indemnifying parties receiving such notice, may assume the defense of such action with counsel chosen by it and approved by the indemnified parties defendant in such action (which approval shall not be unreasonably withheld), unless such indemnified parties reasonably object to such assumption on the ground that there may be legal defenses available to them which are different from or in addition to those available to such indemnifying party. If an indemnifying party assumes the defense of such action, the indemnifying party shall not be liable for any fees and expenses of counsel for the indemnified parties incurred thereafter in connection with such action, except the indemnifying party shall be liable for the reasonable costs of investigation subsequently incurred by the indemnified party in connection with the defense. In no event shall the indemnifying parties be liable for fees and expenses of more than one counsel (in addition to any local counsel) separate from their own counsel for all indemnified parties in connection with any one action or separate but similar or related actions in the same jurisdiction arising out of the same general allegations or circumstances. No indemnifvina party shall, without the prior written consent of the indemnified parties, which consent shall not be unreasonably withheld, settle or compromise or consent to the entry of any judgment with respect to any litigation, or any investigation or proceeding by any governmental agency or body, commenced or threatened, or any claim whatsoever in respect of which indemnification or contribution could be sought under this Section 6 or Section 7 hereof (whether or not the indemnified parties are actual or potential parties thereto), unless such settlement, compromise or consent (i) includes an unconditional release of each indemnified party from all liability arising out of such litigation, investigation, proceeding or claim and (ii)

does not include a statement as to or an admission of fault, culpability or a failure to act by or on behalf of any indemnified party.

(d) Settlement without Consent if Failure to Reimburse. If at any time an indemnified party shall have requested an indemnifying party to reimburse the indemnified party for fees and expenses of counsel, such indemnifying party agrees that it shall be liable for any settlement of the nature contemplated by Section 6(a)(i)(iii) effected without its written consent if (i) such settlement is entered into more than 45 days after receipt by such indemnifying party of the aforesaid request, (ii) such indemnifying party shall have received notice of the terms of such settlement at least 30 days prior to such settlement being entered into and (iii) such indemnifying party shall not have reimbursed such indemnified party in accordance with such request prior to the date of such settlement.

(e) Indemnification for Reserved Securities. In connection with the offer and sale of the Reserved Securities, the Company agrees, promptly upon a request in writing, to indemnify and hold harmless the Underwriters from and against any and all losses, liabilities, claims, damages and expenses incurred by them as a result of the failure of eligible employees and persons having business relationships with the Company to pay for and accept delivery of Reserved Securities which, by the end of the first business day following the date of this Agreement, were subject to a properly confirmed agreement to purchase.

 $\ensuremath{\mathsf{SECTION}}$ 7. Contribution. If the indemnification provided for in Section 6

hereof is for any reason unavailable to or insufficient to hold harmless an indemnified party in respect of any losses, liabilities, claims, damages or expenses referred to therein, then each indemnifying party shall contribute to the aggregate amount of such losses, liabilities, claims, damages and expenses incurred by such indemnified party, as incurred, (i) in such proportion as is appropriate to reflect the relative benefits received by the Company and the Operating Partnership on the one hand and the International Managers on the other hand from the offering of the Securities pursuant to this Agreement or (ii) if the allocation provided by clause (i) is not permitted by applicable law, in such proportion as is appropriate to reflect not only the relative benefits referred to in clause (i) above but also the relative fault of the Company and the Operating Partnership on the one hand and of the International Managers on the other hand in connection with the statements or omissions, or in connection with any violation of the nature referred to in Section 6(a)(ii)(A) hereof, which resulted in such losses, liabilities, claims, damages or expenses, as well as any other relevant equitable considerations.

The relative benefits received by the Company and the Operating Partnership on the one hand and the International Managers on the other hand in connection with the offering of the International Securities pursuant to this Agreement shall be deemed to be in the same respective proportions as the total net proceeds from the offering of the International Securities pursuant to this Agreement (before deducting expenses) received by the Company and the Operating Partnership and the total underwriting discount received by the International Managers, in each case as set forth on the cover of the International Prospectus, or, if Rule 434 is used, the

corresponding location on the Term Sheet, bear to the aggregate initial public offering price of the International Securities as set forth on such cover.

The relative fault of the Company and the Operating Partnership on the one hand and the International Managers on the other hand shall be determined by reference to, among other things, whether any such untrue or alleged untrue statement of a material fact or omission or alleged omission to state a material fact relates to information supplied by the Company, the Operating Partnership or by the International Managers and the parties' relative intent, knowledge, access to information and opportunity to correct or prevent such statement or omission or any violation of the nature referred to in Section 6(a)(ii)(A) hereof.

The Company, the Operating Partnership and the International Managers agree that it would not be just and equitable if contribution pursuant to this Section 7 were determined by pro rata allocation (even if the International Managers were treated as one entity for such purpose) or by any other method of allocation which does not take account of the equitable considerations referred to above in this Section 7. The aggregate amount of losses, liabilities, claims, damages and expenses incurred by an indemnified party and referred to above in this Section 7 shall be deemed to include any legal or other expenses reasonably incurred by such indemnified party in investigating, preparing or defending against any litigation, or any investigation or proceeding by any governmental agency or body, commenced or threatened, or any claim whatsoever based upon any such untrue or alleged untrue statement or omission or alleged omission.

Notwithstanding the provisions of this Section 7, no International Manager shall be required to contribute any amount in excess of the amount by which the total price at which the International Securities underwritten by it and distributed to the public were offered to the public exceeds the amount of any damages which such International Manager has otherwise been required to pay by reason of any such untrue or alleged untrue statement or omission or alleged omission.

No person guilty of fraudulent misrepresentation (within the meaning of Section 11(f) of the 1933 Act) shall be entitled to contribution from any person who was not guilty of such fraudulent misrepresentation.

For purposes of this Section 7, each person, if any, who controls an International Manager within the meaning of Section 15 of the 1933 Act or Section 20 of the 1934 Act shall have the same rights to contribution as such International Manager, and each director of the Company, each officer of the Company who signed the Registration Statement, and each person, if any, who controls the Company within the meaning of Section 15 of the 1933 Act or Section 20 of the 1934 Act shall have the same rights to contribution as the Company. The International Managers' respective obligations to contribute pursuant to this Section 7 are several in proportion to the number of Initial International Securities set forth opposite their respective names in Schedule A hereto and not joint.

All representations, warranties and agreements contained in this Agreement or in certificates of officers of the Company, the Operating Partnership or any of the Subsidiaries submitted pursuant hereto, shall remain operative and in full force and effect, regardless of any investigation made by or on behalf of any International Manager or controlling person, or by or on behalf of the Company, and shall survive delivery of the Securities to the International Managers.

SECTION 9. Termination of Agreement.

(a) Termination; General. The Lead Managers may terminate this Agreement, by notice to the Company, at any time at or prior to Closing Time (i) if there has been, since the time of execution of this Agreement or since the respective dates as of which information is given in the International Prospectus, any material adverse change in the condition, financial or otherwise, or in the earnings, business affairs or business prospects of the Company and its subsidiaries considered as one enterprise, whether or not arising in the change in the financial markets in the United States or the international financial markets, any outbreak of hostilities or escalation thereof or other calamity or crisis or any change or development involving a prospective change in national or international political, financial or economic conditions, in each case the effect of which is such as to make it, in the judgment of the Lead Managers, impracticable to market the Securities or to enforce contracts for the sale of the Securities, or (iii) if trading in any securities of the Company has been suspended or materially limited by the Commission or the New York Stock Exchange, or if trading generally on the American Stock Exchange or the New York Stock Exchange or in the Nasdaq National Market has been suspended or materially limited, or minimum or maximum prices for trading have been fixed, or maximum ranges for prices have been required, by any of said exchanges or by such system or by order of the Commission, the NASD or any other governmental authority, or (iv) if a banking moratorium has been declared by either Federal or New York authorities.

(b) Liabilities. If this Agreement is terminated pursuant to this Section, such termination shall be without liability of any party to any other party except as provided in Section 4 hereof, and provided further that Sections 1, 6, 7 and 8 shall survive such termination and remain in full force and effect.

SECTION 10. Default by One or More of the International Managers. If one

or more of the International Managers shall fail at Closing Time or a Date of Delivery to purchase the Securities which it or they are obligated to purchase under this Agreement (the "Defaulted Securities"), the Lead Managers shall have the right, within 24 hours thereafter, to make arrangements for one or more of the non-defaulting International Managers, or any other underwriters, to purchase all, but not less than all, of the Defaulted Securities in such amounts as may be agreed upon and upon the terms herein set forth; if, however, the Lead Managers shall not have completed such arrangements within such 24-hour period, then:

(a) if the number of Defaulted Securities does not exceed 10% of the number of International Securities to be purchased on such date, each of the non-defaulting International Managers shall be obligated, severally and not jointly, to purchase the full amount thereof in the proportions that their respective underwriting obligations hereunder bear to the underwriting obligations of all non-defaulting International Managers, or

(b) if the number of Defaulted Securities exceeds 10% of the number of International Securities to be purchased on such date, this Agreement or, with respect to any Date of Delivery which occurs after the Closing Time, the obligation of the International Managers to purchase and of the Company to sell the Option Securities to be purchased and sold on such Date of Delivery shall terminate without liability on the part of any nondefaulting International Manager.

No action taken pursuant to this Section shall relieve any defaulting International Manager from liability in respect of its default.

In the event of any such default which does not result in a termination of this Agreement or, in the case of a Date of Delivery which is after the Closing Time, which does not result in a termination of the obligation of the International Managers to purchase and the Company to sell the relevant International Option Securities, as the case may be, either the Lead Managers or the Company shall have the right to postpone Closing Time or the relevant Date of Delivery, as the case may be, for a period not exceeding seven days in order to effect any required changes in the Registration Statement or Prospectus or in any other documents or arrangements. As used herein, the term "International Manager" includes any person substituted for an International Manager under this Section 10.

SECTION 11. Notices. All notices and other communications hereunder shall

be in writing and shall be deemed to have been duly given if mailed or transmitted by any standard form of telecommunication. Notices to the International Managers shall be directed to the Lead Managers c/o Merrill Lynch, Pierce, Fenner & Smith Incorporated, North Tower, World Financial Center, New York, New York 10281-1201, attention of Richard B. Saltzman; and notices to the Company and the Operating Partnership shall be directed to it at 8 Arlington Street, Boston, Massachusetts 02116, attention of Frederick J. DeAngelis, Esq. Notices given by telex or telephone shall be confirmed in writing.

SECTION 12. Parties. This Agreement shall each inure to the benefit of

and be binding upon the International Managers and the Company and their respective successors. Nothing expressed or mentioned in this Agreement is intended or shall be construed to give any person, firm or corporation, other than the International Managers and the Company and their respective successors and the controlling persons and officers and directors referred to in Sections 6 and 7 and their heirs and legal representatives, any legal or equitable right, remedy or claim under or in respect of this Agreement or any provision herein contained. This Agreement and all conditions and provisions hereof are intended to be for the sole and exclusive benefit of the International Managers and the Company and their respective successors, and said controlling

persons and officers and directors and their heirs and legal representatives, and for the benefit of no other person, firm or corporation. No purchaser of Securities from any International Manager shall be deemed to be a successor by reason merely of such purchase.

SECTION 13. GOVERNING LAW AND TIME. THIS AGREEMENT SHALL BE GOVERNED BY AND CONSTRUED IN ACCORDANCE WITH THE LAWS OF THE STATE OF NEW YORK. SPECIFIED TIMES OF DAY REFER TO NEW YORK CITY TIME.

SECTION 14. Effect of Headings. The Article and Section headings herein and the Table of Contents are for convenience only and shall not affect the construction hereof. If the foregoing is in accordance with your understanding of our agreement, please sign and return to the Company a counterpart hereof, whereupon this instrument, along with all counterparts, will become a binding agreement between the International Managers and the Company in accordance with its terms.

Very truly yours,

BOSTON PROPERTIES, INC.

Ву

BOSTON PROPERTIES LIMITED PARTNERSHIP

Ву

, Title:

CONFIRMED AND ACCEPTED, as of the date first above written: MERRILL LYNCH INTERNATIONAL GOLDMAN SACHS INTERNATIONAL BEAR, STEARNS INTERNATIONAL LIMITED MORGAN STANLEY & CO. INTERNATIONAL LIMITED PAINEWEBBER INTERNATIONAL (UK) LTD. PRUDENTIAL-BACHE SECURITIES (U.K.) INC. SMITH BARNEY INC.

By: MERRILL LYNCH INTERNATIONAL

Ву

Authorized Signatory

By: GOLDMAN SACHS INTERNATIONAL

- -----

For themselves and as Lead Managers of the other International Managers named in Schedule A hereto.

	Number of
	Initial International
Name of International Manager	Securities
Merrill Lynch International Goldman Sachs International Bear, Stearns International Limited Morgan Stanley & Co. International Limited PaineWebber International (UK) Ltd Prudential-Bache Securities (U.K.) Inc Smith Barney Inc	
Total	. 6,280,000

Sch A - 1

BOSTON PROPERTIES, INC.

6,280,000 Shares of Common Stock (Par Value \$.01 Per Share)

1. The initial public offering price per share for the Securities, determined as provided in said Section 2, shall be $_$.

2. The purchase price per share for the International Securities to be paid by the several International Managers shall be $_$ ____, being an amount equal to the initial public offering price set forth above less $_$ ___ per share; provided that the purchase price per share for any International Option Securities purchased upon the exercise of the over-allotment option described in Section 2(b) shall be reduced by an amount per share equal to any dividends or distributions declared by the Company and payable on the Initial International Securities.

Sch B - 1

SCHEDULE C

Certain Properties

599 Lexington Avenue One Independence Square Two Independence Square Democracy Center Capital Gallery 2300 N Street Long Wharf Marriott Cambridge Center Marriott

Sch C-1

Form of Certificate of Designation, Preferences and Rights of a Series of Preferred Stock

CERTIFICATE OF DESIGNATIONS, PREFERENCES AND RIGHTS OF A SERIES OF PREFERRED STOCK

0F

BOSTON PROPERTIES, INC.

Pursuant to Section 151 of the General Corporation Law of the State of Delaware

BOSTON PROPERTIES, INC., a corporation organized and existing under the General Corporation Law of the State of Delaware, does hereby certify:

That, pursuant to authority conferred upon the Board of Directors by the Amended and Restated Certificate of Incorporation (the "Certificate of Incorporation") of said Corporation, and pursuant to the provisions of Section 151 of the General Corporation Law of the State of Delaware, said Board of Directors, by a unanimous written consent, dated as of June 11, 1997, adopted a resolution providing for the designations, preferences and relative, participating, optional or other rights, and the qualifications, limitations or restrictions thereof, including, without limiting the generality of the foregoing, such provisions as may be desired concerning voting, redemption, dividends, dissolution or the distribution of assets, and conversion or exchange, of a Series of Preferred Stock, which resolution is as follows:

See attached pages 2A-8A

VOTE OF DIRECTORS ESTABLISHING SERIES E JUNIOR PARTICIPATING CUMULATIVE PREFERRED STOCK OF

BOSTON PROPERTIES, INC.

Pursuant to Section 151 of the General Corporation Law of the State of Delaware:

VOTED, that pursuant to the authority conferred upon and vested in the Board of Directors by the Amended and Restated Certificate of Incorporation (the "Certificate of Incorporation") of Boston Properties, Inc. (the "Corporation") the Board of Directors hereby establishes and designates a series of Preferred Stock of the Corporation, and hereby fixes and determines the relative rights and preferences of the shares of such series, in addition to those set forth in the Certificate of Incorporation, as follows:

Section 1. Designation and Amount. The shares of such series shall

be designated as "Series E Junior Participating Cumulative Preferred Stock," par value \$.01 per share (hereinafter called "Series E Preferred Stock"), and the number of shares initially constituting such series shall be 200,000. Such number of shares may be increased or decreased by resolution of the Board of Directors and by the filing of a certificate pursuant to the provisions of the General Corporation Law of the State of Delaware stating that such increase or reduction has been so authorized; provided, however, that no decrease shall

reduce the number of shares of Series E Preferred Stock to a number less than that of the shares then outstanding plus the number of shares of Series E Preferred Stock issuable upon exercise of outstanding rights, options or warrants or upon conversion of outstanding securities issued by the Corporation.

Section 2. Dividends and Distributions.

(i) Subject to the rights of the holders of any shares of any (A) series of preferred stock (or any similar stock) ranking prior and superior to the Series E Preferred Stock with respect to dividends, the holders of shares of Series E Preferred Stock, in preference to the holders of shares of common stock and of any other junior stock, shall be entitled to receive, when, as and if declared by the Board of Directors out of funds legally available for the purpose, quarterly dividends payable in cash on the first day of March, June, September and December in each year (each such date being referred to herein as "Quarterly Dividend Payment Date"), commencing on the first Quarterly Dividend а Payment Date after the first issuance of a share or fraction of a share of Series E Preferred Stock, in an amount per share (rounded to the nearest cent) equal to the greater of (a) \$1.00 or (b) subject to the provisions for adjustment hereinafter set forth, 1,000 times the aggregate per share amount of all cash dividends, and 1,000 times the aggregate per share amount (payable in kind) of all non-cash dividends or other distributions other than a dividend payable in shares of common stock or a subdivision of the outstanding shares of common stock (by reclassification or otherwise),

declared on the shares of common stock since the immediately preceding Quarterly Dividend Payment Date, or, with respect to the first Quarterly Dividend Payment Date, since the first issuance of any share or fraction of a share of Series E Preferred Stock. The multiple of cash and non-cash dividends declared on the shares of common stock to which holders of the Series E Preferred Stock are entitled, which shall be 1,000 initially but which shall be adjusted from time to time as hereinafter provided, is hereinafter referred to as the "Dividend Multiple." In the event the Corporation shall at any time after June 13, 1997 (the "Rights Declaration Date") (i) declare or pay any dividend on the shares of common stock payable in shares of common stock, or (ii) effect a subdivision or combination or consolidation of the outstanding shares of common stock (by reclassification or otherwise than by payment of a dividend in shares of common stock) into a greater or lesser number of shares of common stock, then in each such case the Dividend Multiple thereafter applicable to the determination of the amount of dividends which holders of shares of Series E Preferred Stock shall be entitled to receive shall be the Dividend Multiple applicable immediately prior to such event multiplied by a fraction, the numerator of which is the number of shares of common stock outstanding immediately after such event and the denominator of which is the number of shares of common stock that were outstanding immediately prior to such event. The prior sentence shall specifically not apply to the merger of Boston Properties, Inc., a Massachusetts corporation, with and into the Corporation and any transaction or action taken in contemplation or furtherance thereof.

(ii) Notwithstanding anything else contained in this paragraph (A), the Corporation shall, out of funds legally available for that purpose, declare a dividend or distribution on the Series E Preferred Stock as provided in this paragraph (A) immediately after it declares a dividend or distribution on the shares of common stock (other than a dividend payable in shares of common stock); provided that, in the event no dividend or distribution shall have been declared on the shares of common stock during the period between any Quarterly Dividend Payment Date and the next subsequent Quarterly Dividend Payment Date, a dividend of \$1.00 per share on the Series E Preferred Stock shall nevertheless be payable on such subsequent Quarterly Dividend Payment Date.

(B) Dividends shall begin to accrue and be cumulative on outstanding shares of Series E Preferred Stock from the Quarterly Dividend Payment Date next preceding the date of issue of such shares of Series E Preferred Stock, unless the date of issue of such shares is prior to the record date for the first Quarterly Dividend Payment Date, in which case dividends on such shares shall begin to accrue from the date of issue of such shares, or unless the date of issue is a Quarterly Dividend Payment Date or is a date after the record date for the determination of holders of shares of Series E Preferred Stock entitled to receive a quarterly dividend and before such Quarterly Dividend Payment Date, in either of which events such dividends shall begin to accrue and be cumulative from such Quarterly Dividend Payment Date. Accrued but unpaid dividends shall not bear interest. Dividends paid on the shares of Series E Preferred Stock in an amount less than the total amount of such dividends at the time accrued and payable on such shares shall be allocated pro rata on a share-by-share basis among all such shares at the time outstanding. The Board of Directors may fix in accordance with

applicable law a record date for the determination of holders of shares of Series E Preferred Stock entitled to receive payment of a dividend or distribution declared thereon, which record date shall be not more than such number of days prior to the date fixed for the payment thereof as may be allowed by applicable law.

Section 3. Voting Rights. In addition to any other voting rights required

by law, the holders of shares of Series E Preferred Stock shall have the following voting rights:

(A) Subject to the provision for adjustment hereinafter set forth, each share of Series E Preferred Stock shall entitle the holder thereof to 1,000 votes on all matters submitted to a vote of the stockholders of the Corporation. The number of votes which a holder of a share of Series E Preferred Stock is entitled to cast, which shall initially be 1,000 but which may be adjusted from time to time as hereinafter provided, is hereinafter referred to as the "Vote Multiple." In the event the Corporation shall at any time after the Rights Declaration Date (i) declare or pay any dividend on shares of common stock payable in shares of common stock, or (ii) effect a subdivision or combination or consolidation of the outstanding shares of common stock (by reclassification or otherwise than by payment of a dividend in shares of common stock) into a greater or lesser number of shares of common stock, then in each such case the Vote Multiple thereafter applicable to the determination of the number of votes per share to which holders of shares of Series E Preferred Stock shall be entitled shall be the Vote Multiple immediately prior to such event multiplied by a fraction, the numerator of which is the number of shares of common stock outstanding immediately after such event and the denominator of which is the number of shares of common stock that were outstanding immediately prior to such event.

(B) Except as otherwise provided herein or by law, the holders of shares of Series E Preferred Stock and the holders of shares of common stock and the holders of shares of any other capital stock of this Corporation having general voting rights, shall vote together as one class on all matters submitted to a vote of stockholders of the Corporation.

(C) (i) Whenever, at any time or times, dividends payable on any shares of Series E Preferred Stock shall be in arrears in an amount equal to at least two full quarter dividends (whether or not declared and whether or not consecutive), the holders of record of the outstanding shares of Series E Preferred Stock shall have the exclusive right, voting separately as a single class, to elect two directors of the Corporation at a special meeting of shareholders of the Corporation or at the Corporation's next annual meeting of shareholders, and at each subsequent annual meeting of stockholders, as provided below. At elections for such directors, each Series E Preferred Share shall entitle the holder thereof to 1,000 votes in such elections.

(ii) Upon the vesting of such right of the holders of shares of Series E Preferred Stock, the maximum authorized number of members of the Board of Directors shall automatically be increased by two and the two vacancies so created shall be filled by vote of

the holders of the outstanding shares of Series E Preferred Stock as hereinafter set forth. A special meeting of the stockholders of the Corporation then entitled to vote shall be called by the Chairman of the Board of Directors or the President or the Secretary of the Corporation, if requested in writing by the holders of record of not less than 10% of the shares of Series E Preferred Stock then outstanding. At such special meeting, or, if no such special meeting shall have been called, then at the next annual meeting of shareholders of the Corporation, the holders of the shares of Series E Preferred Stock shall elect, voting as above provided, two directors of the Corporation to fill the aforesaid vacancies created by the automatic increase in the number of members of the Board of Directors. At any and all such meetings for such election, the holders of a majority of the outstanding shares of Series E Preferred Stock shall be necessary to constitute a quorum for such election, whether present in person or proxy, and such two directors shall be elected by the vote of at least a majority of the shares of Series E Preferred Stock held by such shareholders present or represented at the meeting. Any director elected by holders of shares of Series E Preferred Stock pursuant to this Section may be removed at any annual or special meeting, by vote of a majority of the shareholders voting as a class who elected such director, with or without cause. In case any vacancy shall occur among the directors elected by the holders of shares of Series E Preferred Stock pursuant to this Section, such vacancy may be filled by the remaining director so elected, or his successor then in office, and the director so elected to fill such vacancy shall serve until the next meeting of shareholders for the election of directors. After the holders of shares of Series E Preferred Stock shall have exercised their right to elect directors in any default period and during the continuance of such period, the number of directors shall not be further increased or decreased except by vote of the holders of shares of Series E Preferred Stock as herein provided or pursuant to the rights of any equity securities ranking senior to or pari passu with the Series E Preferred Stock.

(iii) The right of the holders of shares of Series E Preferred Stock, voting separately as a class, to elect two members of the Board of Directors of the Corporation as aforesaid shall continue until, and only until, such time as all arrears in dividends (whether or not declared) on the Series E Preferred Stock shall have been paid or declared and set apart for payment, at which time such right shall terminate, except as herein or by law expressly provided subject to revesting in the event of each and every subsequent default of the character above-mentioned. Upon any termination of the right of the holders of the Series E Preferred Stock as a class to vote for directors as herein provided, the term of office of all directors then in office elected by the holders of shares of Series E Preferred Stock pursuant to this Section shall terminate immediately. Whenever the term of office of the directors elected by the holders of shares of Series E Preferred Stock pursuant to this Section shall terminate and the special voting powers vested in the holders of the Series E Preferred Stock pursuant to this Section shall have expired, the maximum number of members of this Board of Directors of the Corporation shall be such number as may be provided for in the By-laws of the Corporation, irrespective of any increase made pursuant to the provisions of this Section.

(D) Except as otherwise required by applicable law or as set forth herein, holders of

Series E Preferred Stock shall have no special voting rights and their consent shall not be required (except to the extent they are entitled to vote with holders of shares of common stock as set forth herein) for taking any corporate action.

Section 4. Certain Restrictions.

(A) Whenever dividends or distributions payable on the Series E Preferred Stock as provided in Section 2 are in arrears, thereafter and until all accrued and unpaid dividends and distributions, whether or not declared, on shares of Series E Preferred Stock outstanding shall have been paid in full, the Corporation shall not:

- declare or pay dividends on, make any other distributions on, or redeem or purchase or otherwise acquire for consideration any shares of stock ranking junior (either as to dividends or upon liquidation, dissolution or winding up) to the Series E Preferred Stock;
- (ii) declare or pay dividends on or make any other distributions on any shares of stock ranking on a parity (either as to dividends or upon liquidation, dissolution or winding up) with the Series E Preferred Stock, except dividends paid ratably on the Series E Preferred Stock and all such parity stock on which dividends are payable or in arrears in proportion to the total amounts to which the holders of all such shares are then entitled;
- (iii) except as permitted in subsection 4(A)(iv) below, redeem, purchase or otherwise acquire for consideration shares of any stock ranking on a parity (either as to dividends or upon liquidation, dissolution or winding up) with the Series E Preferred Stock, provided that the Corporation may at any time redeem, purchase or otherwise acquire shares of any such parity stock in exchange for shares of any stock of the Corporation ranking junior (either as to dividends or upon dissolution, liquidation or winding up) to the Series E Preferred Stock; or
- (iv) purchase or otherwise acquire for consideration any shares of Series E Preferred Stock, or any shares of any stock ranking on a parity (either as to dividends or upon liquidation, dissolution or winding up) with the Series E Preferred Stock, except in accordance with a purchase offer made in writing or by publication (as determined by the Board of Directors) to all holders of such shares upon such terms as the Board of Directors, after consideration of the respective annual dividend rates and other relative rights and preferences of the respective series and classes, shall determine in good faith will result in fair and equitable treatment among the respective series or classes.

(B) The Corporation shall not permit any subsidiary of the Corporation to purchase or otherwise acquire for consideration any shares of stock of the Corporation unless the

Corporation could, under subsection (A) of this Section 4, purchase or otherwise acquire such shares at such time and in such manner.

Section 5. Reacquired Shares. Any shares of Series E Preferred Stock

purchased or otherwise acquired by the Corporation in any manner whatsoever shall be retired and canceled promptly after the acquisition thereof. All such shares shall upon their cancellation become authorized but unissued shares of preferred stock and may be reissued as part of a new series of preferred stock to be created by resolution or resolutions of the Board of Directors, subject to the conditions and restrictions on issuance set forth herein.

Section 6. Liquidation, Dissolution or Winding Up. Upon any liquidation

(voluntary or otherwise), dissolution or winding up of the Corporation, no distribution shall be made (x) to the holders of shares of stock ranking junior (either as to dividends or upon liquidation, dissolution or winding up) to the Series E Preferred Stock unless, prior thereto, the holders of shares of Series E Preferred Stock shall have received an amount equal to accrued and unpaid dividends and distributions thereon, whether or not declared, to the date of such payment, plus an amount equal to the greater of (1) \$1,000.00 per share or (2) an aggregate amount per share, subject to the provision for adjustment hereinafter set forth, equal to 1,000 times the aggregate amount to be distributed per share to holders of shares of common stock, or (y) to the holders of stock ranking on a parity (either as to dividends or upon liquidation, dissolution or winding up) with the Series E Preferred Stock, except distributions made ratably on the Series E Preferred Stock and all other such parity stock in proportion to the total amounts to which the holders of all such shares are entitled upon such liquidation, dissolution or winding up. In the event the Corporation shall at any time after the Rights Declaration Date (i) declare or pay any dividend on shares of common stock payable in shares of common stock, or (ii) effect a subdivision or combination or consolidation of the outstanding shares of common stock (by reclassification or otherwise than by payment of a dividend in shares of common stock) into a greater or lesser number of shares of common stock, then in each such case the aggregate amount per share to which holders of shares of Series E Preferred Stock were entitled immediately prior to such event under clause (x) of the preceding sentence shall be adjusted by multiplying such amount by a fraction, the numerator of which is the number of shares of common stock outstanding immediately after such event and the denominator of which is the number of shares of common stock that were outstanding immediately prior to such event.

Neither the consolidation of nor merging of the Corporation with or into any other corporation or corporations, nor the sale or other transfer of all or substantially all of the assets of the Corporation, shall be deemed to be a liquidation, dissolution or winding up of the Corporation within the meaning of this Section 6.

Section 7. Consolidation, Merger, etc. In case the Corporation shall

enter into any consolidation, merger, combination or other transaction in which the shares of common stock are exchanged for or changed into other stock or securities, cash and/or any other property,

then in any such case the shares of Series E Preferred Stock shall at the same time be similarly exchanged or changed in an amount per share (subject to the provision for adjustment hereinafter set forth) equal to 1,000 times the aggregate amount of stock, securities, cash and/or any other property (payable in kind), as the case may be, into which or for which each share of common stock is changed or exchanged, plus accrued and unpaid dividends, if any, payable with respect to the Series E Preferred Stock. In the event the Corporation shall at any time after the Rights Declaration Date (i) declare or pay any dividend on shares of common stock payable in shares of common stock, or (ii) effect a subdivision or combination or consolidation of the outstanding shares of common stock (by reclassification or otherwise than by payment of a dividend in shares of common stock) into a greater or lesser number of shares of common stock, then in each such case the amount set forth in the preceding sentence with respect to the exchange or change of shares of Series ${\sf E}$ Preferred Stock shall be adjusted by multiplying such amount by a fraction, the numerator of which is the number of shares of common stock outstanding immediately after such event and the denominator of which is the number of shares of common stock that were outstanding immediately prior to such event.

Section 8. Redemption. The shares of Series E Preferred Stock shall not

be redeemable; provided, however, that the foregoing shall not limit the ability of the Corporation to purchase or otherwise deal in such shares to the extent otherwise permitted hereby and by law.

Section 9. Ranking. Unless otherwise provided in the Certificate of

Incorporation or a Certificate of Vote of Directors Establishing a Class of Stock relating to a subsequently-designated series of preferred stock of the Corporation, the Series E Preferred Stock shall rank junior to any other series of the Corporation's preferred stock subsequently issued, as to the payment of dividends and the distribution of assets on liquidation, dissolution or winding up and shall rank senior to the common stock.

Section 10. Amendment. The Certificate of Incorporation and this

Certificate of Vote of Directors shall not be amended in any manner which would materially alter or change the powers, preferences or special rights of the Series E Preferred Stock so as to affect them adversely without the affirmative vote of the holders of two-thirds or more of the outstanding shares of Series E Preferred Stock, voting separately as a class.

Section 11. Fractional Shares. Shares of Series E Preferred Stock may be

issued in whole shares or in any fraction of a share that is one one-thousandth (1/1,000th) of a share or any integral multiple of such fraction, which shall entitle the holder, in proportion to such holder's fractional shares, to exercise voting rights, receive dividends, participate in distributions and to have the benefit of all other rights of holders of shares of Series E Preferred Stock. In lieu of fractional shares, the Corporation may elect to make a cash payment as provided in the Rights Agreement for fractions of a share other than one one-thousandth (1/1,000th) of a share or any integral multiple thereof.

I, William J. Wedge, Senior Vice President and Secretary of the Corporation, do make this certificate, hereby declaring and certifying that this is my act and deed on behalf of the Corporation this 13th day of June, 1997.

BOSTON PROPERTIES, INC.

REVOLVING CREDIT AGREEMENT

among

BOSTON PROPERTIES LIMITED PARTNERSHIP

and

OTHER BORROWERS WHICH MAY BECOME PARTIES TO THIS AGREEMENT

and

BANKBOSTON, N.A. (formerly known as The First National Bank of Boston)

and

OTHER BANKS WHICH MAY BECOME PARTIES TO THIS AGREEMENT

and

BANKBOSTON, N.A. (formerly known as The First National Bank of Boston), AS AGENT

with

BANCBOSTON SECURITIES INC., ACTING AS LOAN ARRANGER

Dated as of June __, 1997

Secti	on 			Page
(S)	1.	DEFINITIO	NS AND RULES OF INTERPRETATION	1
		(S)1.1. (S)1.2.	Definitions Rules of Interpretation	1 22
(S)	2.	THE REVOL	VING CREDIT FACILITY	22
		(S)2.1. (S)2.2. (S)2.3. (S)2.4. (S)2.5. (S)2.6. (S)2.7.	Commitment to Lend The Revolving Credit Notes Interest on Revolving Credit Loans; Fees Requests for Revolving Credit Loans Conversion Options Funds for Revolving Credit Loans Reduction of Commitment	22 23 24 24 26 27 28
(S)	3.	LETTERS 0 (S)3.1. (S)3.2. (S)3.3. (S)3.4. (S)3.5. (S)3.6.	Letter of Credit Commitments Reimbursement Obligation of the Borrower	28 28 30 30 31 32 32
(S)	4.	REPAYMENT (S)4.1. (S)4.2. (S)4.3.	OF THE REVOLVING CREDIT LOANS Maturity Optional Repayments of Revolving Credit Loans Mandatory Repayment of Loans	32 32 33 33
(S)	5.	CERTAIN G (S)5.1. (S)5.2. (S)5.3. (S)5.4. (S)5.5. (S)5.6. (S)5.7.	ENERAL PROVISIONS Funds for Payments Computations Inability to Determine Eurodollar Rate Illegality Additional Costs, Etc. Capital Adequacy Certificate	33 34 34 34 35 36 36

-i-

	(S)(S)5.8. (S)(S)5.9.	Indemnity Interest on Overdue Amounts	37 37
(S)(S)6.	GUARANTY		37
(S)(S)7.	REPRESENTATI	ONS AND WARRANTIES	37
	(S)(S)7.1. (S)(S)7.2.	Authority; Etc. Governmental Approvals	38 40
	(S)(S)7.3.	Title to Properties; Leases	40
	(S)(S)7.4.	Financial Statements	40
	(S)(S)7.5.	No Material Changes, Etc.	41
	(S)(S)7.6	Franchises, Patents, Copyrights, Etc.	41
	(S)(S)7.7. (S)(S)7.8.	Litigation No Materially Adverse Contracts	42 42
	(S)(S)7.9.	Compliance With Other Instruments, Laws, Etc.	42
	(S)(S)7.10.	Tax Status	42
	(S)(S)7.11.	No Event of Default	43
	(S)(S)7.12.	Investment Company Acts	43
	(S)(S)7.13.	Absence of UCC Financing Statements, Etc.	43
	(S)(S)7.14.	Absence of Liens	43
	(S)(S)7.15	Intentionally Omitted	43
	(S)(S)7.16.	Employee Benefit Plans; Multiemployer Plans;	
		Guaranteed Pension Plans	43
	(S)(S)7.17.	Regulations U and X	43 43
	(S)(S)7.18. (S)(S)7.19.	Environmental Compliance Subsidiaries	43 45
	(S)(S)7.20.	Loan Documents	45
	(S)(S)7.21.	REIT Status	46
	(S)(S)7.22.	Initial Public Offering Registration Statement	46
(S)(S)8.	AFFIRMATIVE	COVENANTS OF THE BORROWER AND THE	
	GUARANTOR		47
	(S)(S)8.1.	Punctual Payment	47
	(S)(S)8.2.	Maintenance of Office	47
	(S)(S)8.3.	Records and Accounts	47
	(S)(S)8.4.	Financial Statements, Certificates and Information	47
	(S)(S)8.5.	Notices	50
	(S)(S)8.6.	Existence of Borrower; Maintenance of Properties Existence of Guarantor; Maintenance of REIT Status	52
	(S)(S)8.7.	of Guarantor; Maintenance of Properties	53
	(S)(S)8.8.	Insurance	53
	(S)(S)8.9.	Taxes	53
	(S)(S)8.10.	Inspection of Properties and Books	54

-ii-

	(S)(S)8.11.	Compliance with Laws, Contracts, Licenses, and Permit	54
	(S)(S)8.12.	Use of Proceeds	55
	(S)(S)8.13.	Acquisition of Borrowing Base Property	55
	(S)(S)8.14.	Additional Borrowers; Solvency of Borrowers	55
	(S)(S)8.15.	Further Assurances	56
	(S)(S)8.16.	Interest Rate Protection	56
	(S)(S)8.17.	Environmental Indemnification	56
	(S)(S)8.18.	Response Actions	57
	(S)(S)8.19.	Environmental Assessments	57
	(S)(S)8.20.	Employee Benefit Plans	58
	(S)(S)8.21.	No Amendments to Certain Documents	58
	(s)(s)8.22.	Intentionally Omitted	58
(S)(S)9.		IVE COVENANTS OF THE BORROWER AND	
	THE GUARANTOR	RS	59
	(S)(S)9.1.	Restrictions on Indebtedness	59
	(S)(S)9.2.	Restrictions on Liens, Etc.	60
	(S)(S)9.3.	Restrictions on Investments	62
	(S)(S)9.4.	Merger, Consolidation and Disposition of Assets	63
	(S)(S)9.5.	Compliance with Environmental Laws	64
	(S)(S)9.6.	Distributions	64
	(S)(S)9.7	Hotel Properties	64
(S)(S)10.		/ENANTS; COVENANTS REGARDING	
	BORROWING BAS	SE PROPERTIES	65
	(S)(S)10.1.	Consolidated Total Indebtedness	65
	(S)(S)10.2.	Secured Consolidated Total Indebtedness	65
	(S)(S)10.3.	Debt Service Coverage	65
	(S)(S)10.4.	Unsecured Consolidated Total Indebtedness	65
	(S)(S)10.5.	Net Worth	65
	(S)(S)10.6.	Borrowing Base Properties	65
	(S)(S)10.7.	Borrowing Base Debt Service Coverage	66
(S)(S)11.	ESCROW CLOSIN	IG	66
(S)(S)12	CONDITIONS TO) THE FIRST ADVANCE	67
	(S)(S)12.1.	Satisfaction of Escrow Conditions	67
	(S)(S)12.2.	Loan Documents	67
	(S)(S)12.3.	Certified Copies of Organization Documents	67
	(S)(S)12.4.	By-laws; Resolutions	67
	(S)(S)12.5.	Incumbency Certificate; Authorized Signers	68 68
	(S)(S)12.6.	Title Policies	68

-iii-

	(S)(S)12.7.	Certificates of Insurance	68
	(S)(S)12.8.	Hazardous Substance Assessments	68
	(S)(S)12.9.	Opinion of Counsel Concerning Organization	
		and Loan Documents	68
	(S)(S)12.10.	Tax and Securities Law Compliance	69
	(S)(S)12.11.	Guaranty	69
	(S)(S)12.12.	Structural Condition Assurances	69
	(S)(S)12.13.	Financial Analysis of Borrowing Base Properties	69
	(S)(S)12.14.	Inspection of Borrowing Base Properties	69
	(S)(S)12.15.	Certifications from Government Officials;	
		UCC-11 Reports	69
	(S)(S)12.16.	Completion of Initial Public Offering;	
		IPO Proceeds	69
	(S)(S)12.17.	Proceedings and Documents	70
	(S)(S)12.18.	Fees	70
	(S)(S)12.19.	Closing Certificate; Compliance Certificate	70
	(S)(S)12.20.	Partnership Documents	70
	(S)(S)12.21.	Release Documents	70
(0)(0)10	CONDITIONS TO		70
(5)(5)13.	CONDITIONS TO	ALL BORROWINGS	70
	(S)(S)13.1	Representations True; No Event of Default;	
	(-)(-)	Compliance Certificate	70
	(S)(S)13.2	No Legal Impediment	71
	(S)(S)13.3	Governmental Regulation	71
(S)(S)14.	EVENIS OF DEF	AULT; ACCELERATION; ETC.	71
	(S)(S)14.1.	Events of Default and Acceleration	71
	(S)(S)14.2.	Termination of Commitments	76
	(S)(S)14.3.	Remedies	76
(S)(S)15.	SETOFF		76
(S)(S)16.	THE AGENT		77
(-)(-)			
	(S)(S)16.1.	Authorization	77
	(S)(S)16.2.	Employees and Agents	77
	(S)(S)16.3.	No Liability	77
	(S)(S)16.4.	No Representations	77
	(S)(S)16.5.	Payments	78
	(S)(S)16.6.	Holders of Revolving Credit Notes	79
	(S)(S)16.7.	Indemnity	79
	(S)(S)16.8.	Agent as Bank	79
	(S)(S)16.9.	Notification of Defaults and Events of Defalt	79

-iv-

	<pre>(S)(S)16.10. Duties in the Case of Enforcement (S)(S)16.11. Successor Agent (S)(S)16.12. Notices</pre>	79 80 80
(S)(S)17.	EXPENSES	80
(S)(S)18.	INDEMNIFICATION	81
(S)(S)19.	SURVIVAL OF COVENANTS, ETC.	82
(S)(S)20.	ASSIGNMENT; PARTICIPATIONS; ETC.	83
	<pre>(S)(S)20.1. Conditions to Assignments by Banks (S)(S)20.2. Certain Representations and Warranties; Limitations; Covenants (S)(S)20.3. Register (S)(S)20.4. New Revolving Credit Notes (S)(S)20.5. Participations (S)(S)20.6. Pledge by Lender (S)(S)20.7. No Assignment by Borrower (S)(S)20.8. Disclosure (S)(S)20.9. Syndication</pre>	83 84 84 85 85 85 85 85
(S)(S)21.	NOTICES, ETC.	86
(S)(S)22.	BPLP AS AGENT FOR THE BORROWERS	87
(S)(S)23.	GOVERNING LAW; CONSENT TO JURISDICTION AND SERVICE	87
(S)(S)24.	HEADINGS	87
(S)(S)25.	COUNTERPARTS	87
(S)(S)26.	ENTIRE AGREEMENT, ETC.	87
(S)(S)27.	WAIVER OF JURY TRIAL AND CERTAIN DAMAGE CLAIMS	88
(S)(S)28.	CONSENTS, AMENDMENTS, WAIVERS, ETC.	88
(S)(S)29.	SEVERABILITY	89

- V -

EXHIBITS

- -----

- A B C D E F G

- Form of Revolving Credit Note Form of Loan Request Form of Compliance Certificate Form of Escrow Agreement Form of Closing Certificate Form of Assignment and Assumption Agreement Form of Joinder Agreement

-vi-

Schedules to Revolving Credit Agreement

Schedule 1BorrowingSchedule 2BanksSchedule 3BorrowingBanks' CommitmentsSchedule 4Banks' CommitmentsSchedule 7.7LitigationSchedule 7.19Subsidiaries	chedule 3 chedule 4 chedule 7		Borrowing Base Properties Banks' Commitments Litigation
--	-------------------------------------	--	---

-vii-

This REVOLVING CREDIT AGREEMENT is made as of the __ day of June, 1997, by and among BOSTON PROPERTIES LIMITED PARTNERSHIP, a Delaware limited partnership ("BPLP") and the Wholly-owned Subsidiaries (defined below) which are listed on Schedule 1 hereto (as such Schedule 1 may be amended from time to

time) (BPLP and any such Wholly-owned Subsidiary being hereinafter referred to collectively as the "Borrower" unless referred to in their individual capacities), having their principal place of business at 8 Arlington Street, Boston, Massachusetts 02116, BANKBOSTON, N.A. (formerly known as The First National Bank of Boston) ("BankBoston"), a national banking association having its principal place of business at 100 Federal Street, Boston, Massachusetts 02110, and the other lending institutions listed on Schedule 2 hereto or which

may become parties hereto pursuant to (S)20 (individually, a "Bank" and collectively, the "Banks") and BANKBOSTON, as agent for itself and each other Bank.

RECITALS

.

A. The Borrower is primarily engaged in the business of owning, purchasing, developing, constructing, renovating and operating office and industrial buildings and hotels in the United States.

B. Boston Properties, Inc., a Delaware corporation (the "Guarantor"), is the sole general partner of BPLP, holds in excess of __% of the partnership interests in BPLP as of the date of this Agreement, and is qualified to elect REIT status for income tax purposes and has agreed to guaranty the obligations of the Borrower hereunder and under the other Loan Documents (as defined below).

C. The Borrower and the Guarantor have requested, and the Banks have agreed to establish, an unsecured revolving credit facility for use by the Borrower pursuant to the terms and conditions hereof.

NOW, THEREFORE, in consideration of the mutual covenants and agreements herein contained, the parties hereto agree as follows:

(S)1. DEFINITIONS AND RULES OF INTERPRETATION.

(S)1.1. Definitions. The following terms shall have the meanings set forth in this (S)1 or elsewhere in the provisions of this Agreement referred to below:

Accountants. In each case, independent certified public accountants

reasonably acceptable to the Majority Banks. The Banks hereby acknowledge that the Accountants may include Coopers & Lybrand, L.L.P. and any other so-called "big-six" accounting firm.

-1-

Accounts Payable. See definition of "Consolidated Total

Indebtedness".

Affiliate. With reference to any Person, (i) any director or

executive officer of that Person, (ii) any other Person controlling, controlled by or under direct or indirect common control of that Person, (iii) any other Person directly or indirectly holding 10% or more of any class of the capital stock or other equity interests (including options, warrants, convertible securities and similar rights) of that Person and (iv) any other Person 10% or more of any class of whose capital stock or other equity interests (including options, warrants, convertible securities and similar rights) is held directly or indirectly by that Person.

Agent. BankBoston, N.A. acting as agent for the Banks, or any ----successor agent, as permitted by (S)16.

Agent's Head Office. The Agent's head office located at 100 Federal

Street, Boston, Massachusetts 02110, or at such other location as the Agent may designate from time to time, or the office of any successor Agent permitted under (S)16 hereof, provided such office (which need not be such successor

Agent's head office) is located in Boston, Massachusetts.

Agreement. This Revolving Credit Agreement, including the Schedules and Exhibits hereto, as the same may be from time to time amended and in effect.

Agreement of Limited Partnership of BPLP. The Amended and Restated

Agreement of Limited Partnership of BPLP, dated June __, 1997 among the Guarantor and the limited partners named therein, as amended through the date hereof and as the same may be further amended from time to time as permitted by (S)8.21.

Annualized Borrowing Base Properties Capital Expenditures. For any

rolling four (4) calendar quarters, determined as of the last day of a calendar quarter, an amount equal to 25 multiplied by the total number of square feet

of the Real Estate Assets which are Borrowing Base Properties on the last day of such calendar quarter.

Annualized Capital Expenditures. For any rolling four (4) calendar

quarters, determined as of the last day of a calendar quarter, an amount equal to \$.25 multiplied by the total number of square feet of the Real Estate Assets

on the last day of such calendar quarter.

Applicable L/C Percentage. With respect to any Letter of Credit, a

per annum percentage equal to the Applicable Margin in effect on the date upon which such Letter of Credit was issued.

Applicable Margin. For purposes of this Agreement, the Applicable

Margin shall be equal to the percentage determined for each Rate Period in accordance with the following:

-2-

(i) For the period from the Closing Date through the day after the date on which the Agent has received the financial statements required to be delivered pursuant to Section 8.4(b) for the quarter ending June 30, 1997, the Applicable Margin will equal $_\%$.

(ii) For any period during which the Consolidated Total Indebtedness on the last day of a quarter constituted between 46% and 55% of the Consolidated Total Adjusted Asset Value for such quarter, the Applicable Margin will equal 1.1%.

(iii) For any period during which the Consolidated Total Indebtedness on the last day of a quarter constituted between 36% and 45% of the Consolidated Total Adjusted Asset Value for such quarter, the Applicable Margin will equal 1%.

(iv) For any period during which the Consolidated Total Indebtedness on the last day of a quarter constituted less than 35% of the Consolidated Total Adjusted Asset Value for such quarter, the Applicable Margin will equal .90%.

For purposes of determining the Applicable Margin, Consolidated Total Indebtedness and Consolidated Total Adjusted Asset Value will be tested as of the end of each fiscal quarter of the Borrower, commencing with the fiscal quarter ending June 30, 1997, based upon the annual or quarterly financial statement required to be delivered pursuant to Section 8.4(a) or 8.4(b), respectively, and, for purposes of determining the interest rate for any Rate Period hereunder, any interest rate change shall be effective on the date after the date on which such financial statements are required to be delivered to the Agent (assuming such financial statement are timely delivered). The Borrower shall notify the Agent in writing of any change in the Applicable Margin when it submits the financial statements upon which such change in the Applicable Margin is based.

Arranger. BancBoston Securities Inc.

Assumed Test Debt Service. For any fiscal quarter, an amount equal to

the aggregate amount determined to be the payments which would be required during such quarter to amortize the average amount of Unsecured Consolidated Total Indebtedness outstanding during such quarter with respect to the Borrowing Base Properties, using a twenty-five (25) year mortgage style amortization schedule, and using an annual interest rate equal to the sum of two percent (2%) plus the imputed seven (7) year United States Treasury notes annual yield as of

the last day of such fiscal quarter based upon published quotes for Treasury notes having seven (7) years to maturity.

Assignment and Assumption. See (S)20.1.

Average Unused Commitment. For any period of time, the daily average

difference between (i) the Total Commitment in effect for each day during such period and (ii) the sum of the principal amount of Revolving Credit Loans outstanding on each day during such period plus the Maximum Drawing Amount for

each such day during such period.

-3-

Banks. Collectively, BankBoston and the other lending institutions

listed on Schedule 2 hereto and any other banks which may provide additional

commitments and become parties to this Agreement, and any other Person who becomes an assignee of any rights of a Bank pursuant to (S)20 or a Person who acquires all or substantially all of the stock or assets of a Bank.

Base Rate. The higher of (i) the annual rate of interest announced

from time to time by Bank of Boston at its head office in Boston, Massachusetts as its "base rate" and (ii) one half of one percent (1/2%) above the overnight federal funds effective rate as published by the Board of Governors of the Federal Reserve System, as in effect from time to time. Any change in the Base Rate during an Interest Period shall result in a corresponding change on the same day in the rate of interest accruing from and after such day on the unpaid balance of principal of the Base Rate Loans, if any, applicable to such Interest Period, effective on the day of such change in the Base Rate.

Base Rate Loans. Those Revolving Credit Loans bearing interest

calculated by reference to the Base Rate.

Borrower. As defined in the preamble hereto.

Borrowing Base. As determined from time to time, the Borrowing Base

Properties.

Borrowing Base Availability. As at any date of determination an

amount equal to the Eligible Amount on such date minus the Maximum Drawing

Amount on such date.

Borrowing Base Conditions. See definition of "Borrowing Base

Property".

Borrowing Base Debt Service Coverage Ratio. As of any date of

determination, the ratio of (i) Borrowing Base Net Operating Income as determined on such date divided by 4, to (ii) the Assumed Test Debt Service

applicable to the quarter upon which the Borrowing Base Net Operating income was based.

Borrowing Base Net Operating Income. As of any date of determination,

the Net Operating Income calculated with respect to the Real Estate Assets which are Borrowing Base Properties during the quarter upon which such Net Operating Income is based, provided that such Net Operating Income shall be adjusted on a

pro forma basis to account for Real Estate Assets that were acquired by the

Borrower and added to the Borrowing Base during such quarter by projecting the results generated by any such Real Estate Asset for the portion of the applicable quarter during which the Borrower owned (or ground-leased) such Real Estate Asset over the entire applicable quarter.

Borrowing Base Property. As of any date of determination, an

Unencumbered Asset owned by the Borrower that: (i) is a Permitted Property, (ii) is not the subject of a Disqualifying Structural Event, (iii) is not the subject of a Disqualifying Environmental

-4-

Event, (iv) is not a Real Estate Asset Under Development, (v) is wholly-owned or ground-leased by the Borrower, (vi) is not subject to a Non-Material Breach, and (vii) has been designated by the Borrower in writing to the Agent as a Real Estate Asset that is a Borrowing Base Property, provided that on such date of

determination, the Unencumbered Assets that are Borrowing Base Properties shall have been 85% leased in the aggregate as of the date of such determination, and provided, further, that each request to include an Unencumbered Asset as a

Borrowing Base Property shall be accompanied by a compliance certificate in the form of Exhibit C-5 attached hereto (the foregoing clauses (i) through (vii) and

the succeeding provisos being herein referred to collectively as the "Borrowing

Base Conditions"). The Borrowing Base Properties that constitute the Borrowing Base on the Closing Date are set forth on Schedule 3.

Borrowing Base Value. As of any date of determination, an amount

equal to (i) the Borrowing Base Net Operating Income from the Borrowing Base Properties as determined on such date minus (ii) the amount by which the Annual

Borrowing Base Capital Expenditures applicable to the quarter upon which such Borrowing Base Net Operating Income was based exceeds the amount deducted for Capital Expenditures in determining such Borrowing Base Net Operating Income, with the number resulting from such subtraction being divided by the

Capitalization Rate; provided that such Borrowing Base Net Operating Income

shall be adjusted on a pro forma basis to account for Real Estate Assets that

were acquired by the Borrower and added to the Borrowing Base during such quarter by projecting the results generated by any such Real Estate Asset for the portion of the applicable quarter during which the Borrower owned (or ground-leased) such Real Estate Asset over the entire applicable quarter.

BP Group. Collectively, (i) BPLP, (ii) the Guarantor, (iii) the

respective Subsidiaries of BPLP and the Guarantor and (iv) the Partially-Owned Real Estate Holding Entities.

Buildings. Individually and collectively, the buildings, structures

and improvements now or hereafter located on the Real Estate $\ensuremath{\mathsf{Assets}}$.

Business Day. Any day on which banking institutions in Boston,

Massachusetts, are open for the transaction of banking business and, in the case of Eurodollar Rate Loans, also a day which is a Eurodollar Business Day.

Capital Expenditures. Any expenditure for any item that would be

treated or defined as a capital expenditure under $\ensuremath{\mathsf{GAAP}}$ or the Code.

Capitalization Rate. The Capitalization Rate shall be 9.5%.

Capitalized Leases. Leases under which the Borrower or any of its

Subsidiaries or any Partially-Owned Entity is the lessee or obligor, the discounted future rental obligations under which are required to be capitalized on the balance sheet of the lessee or obligor in accordance with GAAP.

-5-

CERCLA. See (S)7.18.

Code. The Internal Revenue Code of 1986, as amended and in effect _____ from time to time.

Completed Loan Request. A loan request accompanied by all information required to be supplied under the applicable provisions of (S)2.4.

Commitment. With respect to each Bank, the amount set forth from time

to time on Schedule 4 hereto as the amount of such Bank's Commitment to make

Loans to, and to participate in the issuance, extension and renewal of Letters of Credit for the account of, the Borrower as such Schedule 4 may be amended

from time to time in accordance with the terms of this Agreement.

Commitment Percentage. With respect to each Bank, the percentage set

forth on Schedule 4 hereto as such Bank's percentage of the Total Commitment, as

such Schedule 4 may be amended from time to time in accordance with the terms of

this Agreement.

Consolidated or consolidated. With reference to any term defined

herein, shall mean that term as applied to the accounts of the Borrower and its Subsidiaries, or the Guarantor and its Subsidiaries (as the case may be), consolidated in accordance with GAAP in accordance with the terms of this Agreement.

Consolidated EBITDA. In relation to the Borrower, the Guarantor and

their respective Subsidiaries for any fiscal quarter, an amount equal to, without double-counting, the net income or loss of the Borrower, the Guarantor and their respective Subsidiaries determined in accordance with GAAP (before minority interests and excluding the adjustment for so-called "straight-line rent accounting") for such quarter, plus the following to the extent deducted in

computing such Consolidated net income for such quarter: (i) Consolidated Total Interest Expense for such quarter and (ii) real estate depreciation, amortization and other extraordinary items for such quarter; and minus all gains

(or plus all losses) attributable to the sale or other disposition of assets or

debt restructurings in such quarter, in each case adjusted to include only the funds actually received in cash by the Borrower, the Guarantor and their respective Subsidiaries from any Partially-Owned Entity.

Consolidated Fixed Charges. For any fiscal quarter, an amount equal

to (i) Consolidated Total Interest Expense for such quarter plus (ii) the

aggregate amount of scheduled principal payments of Indebtedness (excluding optional prepayments, balloon payments at maturity and any mid-term balloon payments of principal with respect to Indebtedness otherwise requiring equal periodic amortization payments of principal and interest over the term of such Indebtedness (and any balloon payments at maturity with

-6-

respect to such Indebtedness)) required to be made during such quarter by the Borrower, the Guarantor and their respective Subsidiaries on a Consolidated basis plus (iii) the aggregate amount of capitalized interest required in

accordance with GAAP to be paid or accrued during such quarter by the Borrower, the Guarantor or their respective Subsidiaries plus (iv) Annualized Capital

Expenditures applicable to such quarter divided by 4.

Consolidated Total Adjusted Asset Value. As of any date of

determination, an amount equal to (a) the sum of (i) the Fair Market Value of Real Estate as of such date, plus (ii) 100% of the value of Unrestricted Cash

and Cash Equivalents on such date, plus (iii) 100% of the Development Costs incurred and paid to date by the Borrower with respect to any Real Estate Assets which are Real Estate Assets Under Development on such date, provided that, for

purposes of this clause (iii), the aggregate amount of Development Costs included in the calculation of Consolidated Total Adjusted Asset Value shall not exceed an amount equal to 20% of the sum of the Fair Market Value of Real Estate Assets on such date plus the value of Unrestricted Cash and Cash Equivalents on

such date (the "Eligible Real Estate Development Costs"), plus (iv) the

aggregate amount of principal under any Mortgage that will be due and payable to the Borrower or its Subsidiaries (to the extent of Borrower's direct or indirect interest therein).

Consolidated Net Worth. As at any date of determination, an amount

equal to the Consolidated net worth of the Borrower and its Subsidiaries, as determined in accordance with $\ensuremath{\mathsf{GAAP}}.$

Consolidated Total Indebtedness. As of any date of determination,

Consolidated Total Indebtedness means for the Borrower, the Guarantor and their respective Subsidiaries, the sum of (without double-counting), (i) all Accounts Payable on such date, (ii) all Indebtedness outstanding on such date, and (iii) all Letters of Credit outstanding on such date, in each case whether Recourse, Without Recourse or contingent, provided, however, that amounts not drawn under

the Revolving Credit Loans or any other Indebtedness on such date shall not be included in calculating Consolidated Total Indebtedness, and provided, further,

that (without double-counting) (i) all amounts of guarantees, indemnities for borrowed money, stop-loss agreements and the like provided by the Borrower, the Guarantor or any of their respective Subsidiaries, in each case in connection with and guarantying repayment of amounts outstanding under any other Indebtedness, (ii) all amounts for which a letter of credit has been issued for the account of the Borrower, the Guarantor or any of their respective Subsidiaries, (iii) all amounts of bonds posted by the Borrower, the Guarantor or any of their respective Subsidiaries guaranteeing performance or payment obligations and (iv) all liabilities of the Borrower, the Guarantor or any of their respective Subsidiaries as partners, members or the like for liabilities of partnerships or other entities in which any of them have an equity interest, which liabilities are for borrowed money or any of the matters listed in clauses (i), (ii) or (iii) above shall be included in Consolidated Total Indebtedness. For purposes hereof, the value of Accounts Payable shall be determined in accordance with GAAP, and the amount of borrowed money shall equal the sum of (a) the amount of borrowed money as determined in accordance with GAAP plus (b)

the amount of those

-7-

contingent liabilities for borrowed money set forth in subsections (i) through (iv) above, but shall exclude any adjustment for so-called "straight-line interest accounting" or the "constant yield to maturity method" required under GAAP.

Consolidated Total Interest Expense. For any fiscal quarter, the

aggregate amount of interest required in accordance with GAAP to be paid or accrued (but excluding interest reserves funded from the proceeds of any construction loan), without double-counting, by the Borrower, the Guarantor and their respective Subsidiaries during such quarter on: (i) all Indebtedness of the Borrower, the Guarantor and their respective Subsidiaries (including the Loans and including original issue discount and amortization of prepaid interest, if any) (ii) all amounts available for borrowing, or for drawing under letters of credit, if any, issued for the account of the Borrower, the Guarantor or their respective Subsidiaries, but only if such interest was or is required to be reflected as an item of expense, and (iii) all commitment fees, agency fees, facility fees, balance deficiency fees and similar fees and expenses in connection with the borrowing of money.

Conversion Request. A notice given by the Borrower to the Agent ofits election to convert or continue a Loan in accordance with (S)2.5.

Default. When used with reference to this Agreement or any other Loan

Document, an event or condition specified in (S)14.1 that, but for the requirement that time elapse or notice be given, or both, would constitute an Event of Default.

Development Costs. Construction, development and/or acquisition costs

relating to a Real Estate Asset Under Development, provided that for Real Estate Assets Under Development owned by any Partially-Owned Entity, the Development Costs of such Real Estate Asset Under Development shall only be the Borrower's pro-rata share of the Development Costs of such Real Estate Asset Under Development (based on the greater of (x) the Borrower's percentage equity interest in such Partially-Owned Entity or (y) the Borrower's obligation to provide funds to such Partially-Owned Entity).

Disqualifying Environmental Event. Any Release or threatened Release

of Hazardous Substances, any violation of Environmental Laws or any other similar environmental event with respect to any Borrowing Base Property that will, in the Borrower's and the Agent's reasonable opinion cost in excess of \$1,000,000 to remediate or, which, with respect to the Borrowing Base Properties, will, in the Borrower's and Agent's reasonable opinion cost in excess of \$20,000,000 in the aggregate to remediate, provided that for all such

environmental events that, individually or in the aggregate, in the Borrower's and the Agent's reasonable judgment will cost in excess of \$20,000,000 to remediate, the Borrower has received an indemnification, in form and substance satisfactory to Agent, for an amount at least equal to \$10,000,000 from a third party, who, in the reasonable opinion of Agent, is a credit-worthy entity.

Disqualifying Structural Event. Any structural issue, which, with

respect to any Borrowing Base Property other than rehab properties, will, in the Borrower's and the

-8-

Agent's reasonable opinion cost in excess of \$1,000,000 to fix or, which, with respect to the Borrowing Base Properties other than rehab properties, will, in the Borrower's and Agent's reasonable opinion cost in excess of \$10,000,000 in the aggregate to fix, provided that if, in the Borrower's and Agent's reasonable opinion, such structural issues will cost in excess of \$10,000,000 in the aggregate to fix, the Borrowing Base Value shall be reduced by an amount equal to the aggregate of all costs in excess of such \$10,000,000.

Distribution. With respect to:

(i) the Borrower, any distribution of cash or other cash equivalent, directly or indirectly, to the partners of the Borrower; or any other distribution on or in respect of any partnership interests of the Borrower; and

(ii) the Guarantor, the declaration or payment of any dividend on or in respect of any shares of any class of capital stock of Guarantor, other than dividends payable solely in shares of common stock by Guarantor; the purchase, redemption, or other retirement of any shares of any class of capital stock of the Guarantor, directly or indirectly through a Subsidiary of the Guarantor or otherwise; the return of capital by the Guarantor to its shareholders as such; or any other distribution on or in respect of any shares of any class of capital stock of the Guarantor.

Dollars or \$. Dollars in lawful currency of the United States of

America.

Drawdown Date. The date on which any Revolving Credit Loan is made or

is to be made, and the date on which any Revolving Credit Loan is converted or continued in accordance with (S)2.5.

Eligible Amount. As of the date that any Loan is to be made

hereunder, an amount equal to the lesser of (i) the maximum amount that would permit Unsecured Consolidated Total Indebtedness (after giving effect to such Loan) to be less than 60% of Borrowing Base Value on such date and (ii) the maximum amount that would permit the Borrowing Base Debt Service Coverage Ratio (after giving effect to such Loan) to be no less than 1.4 to 1.0. In no event, however, shall Eligible Amount be in excess of \$300,000,000.

Eligible Assignee. Any of (a) a commercial bank organized under the

laws of the United States, or any State- thereof or the District of Columbia, and having total assets in excess of \$1,000,000,000; (b) a savings and loan association or savings bank organized under the laws of the United States, or any State thereof or the District of Columbia, and having a net worth of at least \$100,000,000, calculated in accordance with GAAP; and (c) a commercial bank organized under the laws of any other country (including the central bank of such country) which is a member of the Organization for Economic Cooperation and Development (the "OECD"), or a political subdivision of any such

-9-

country, and having total assets in excess of \$1,000,000,000, provided that such

bank is acting through a branch or agency located in the United States of America.

Eligible Real Estate Development Costs. See definition of "Consolidated Total Adjusted Asset Value".

Employee Benefit Plan. Any employee benefit plan within the meaning

of (S)3(3) of ERISA maintained or contributed to by 'the Borrower or any ERISA Affiliate, other than a Multiemployer Plan.

Environmental Laws. See (S)7.18(a).

Environmental Reports. See (S)7.18

ERISA. The Employee Retirement Income Security Act of 1974, as

amended and in effect from time to time.

ERISA Reportable Event. A reportable event with respect to a

Guaranteed Pension Plan within the meaning of (S)4043 of ERISA and the regulations promulgated thereunder as to which the requirement of notice has not been waived.

Escrow Agent. The Person designated as the escrow agent in the Escrow

Agreement.

Escrow Agreement. The Escrow Agreement, dated as of the Escrow

Closing Date, among BPLP, the Agent, the Escrow Agent and certain other parties, the form of which is attached hereto as Exhibit D.

Escrow Closing. See (S)11.

Escrow Closing Date. The date on which the Loan Documents are placed

in escrow pursuant to the terms of the Escrow Agreement, but in any event, no later than June 16, 1997 unless the parties hereto otherwise agree in writing.

Eurocurrency Reserve Rate. For any day with respect to a Eurodollar

Rate Loan, the maximum rate (expressed as a decimal) at which any Bank subject thereto would be required to maintain reserves under Regulation D of the Board of Governors of the Federal Reserve System (or any successor or similar regulations relating to such reserve requirements) against "Eurocurrency Liabilities" (as that term is used in Regulation D), if such liabilities were outstanding. The Eurocurrency Reserve Rate shall be adjusted automatically on and as of the effective date of any change in the Eurocurrency Reserve Rate.

-10-

to be prepaid prior to the end of the applicable Interest Period or not drawn after elected, a prepayment "breakage" fee in an amount determined by the Agent in the following manner:

First, the Agent shall determine the amount (i) by which (a) the total amount of interest which would have otherwise accrued hereunder on each installment of principal prepaid or not so drawn, during the period beginning on the date of such prepayment or failure to draw and ending on the last day of the applicable Eurodollar Rate Loan Interest Period (the "Reemployment Period"), exceeds (b) the total amount of interest which would accrue, during the Reemployment Period, on any readily marketable bond or other obligation of the United States of America designated by the Agent in its sole discretion at or about the time of such payment, such bond or other obligation of the United States of America to be in an amount equal (as nearly as may be) to the amount of principal so paid or not drawn after elected and to have maturity at the end of the Reemployment Period, and the interest to accrue thereon to take account of amortization of any discount from par or accretion of premium above par at which the same is selling at the time of designation. Each such amount is hereinafter referred to as an "Installment Amount".

(ii) Second, each Installment Amount shall be treated as payable on the last day of the Eurodollar Rate Loan Interest Period which would have been applicable had such principal installment not been prepaid or not borrowed.

(iii) Third, the amount to be paid on each such date shall be the present value of the Installment Amount determined by discounting the amount thereof from the date on which such Installment Amount is to be treated as payable, at the same yield to maturity as that payable upon the bond or other obligation of the United States of America designated as aforesaid by the Agent.

Eurodollar Business Day. Any day on which commercial banks are open

for international business (including dealings in Dollar deposits) in London or such other eurodollar interbank market as may be selected by the Agent in its sole discretion acting in good faith.

Eurodollar Rate. For any Interest Period with respect to a Eurodollar

Rate Loan, the rate per annum equal to the quotient (rounded upwards to the nearest 1/16 of one percent) of (a) the rate at which the Agent is offered Dollar deposits two Eurodollar Business Days prior to the beginning of such Interest Period in an interbank eurodollar market where the eurodollar and foreign currency and exchange operations of the Agent are customarily conducted for delivery on the first day of such Interest Period for the

-11-

number of days comprised therein and in an amount comparable to the amount of the Eurodollar Rate Loan to which such Interest Period applies, divided by (b) a number equal to 1.00 minus the Eurocurrency Reserve Rate.

Eurodollar Rate Loan(s). Revolving Credit Loans bearing interest calculated by reference to the Eurodollar Rate.

Event of Default. See (S)14.1.

Exception Property. See (S)10.6.

Fair Market Value of Real Estate Assets. As of any date of

determination, an amount equal to (i) (x) Consolidated EBITDA for the most recent one (1) complete fiscal quarter (after adjustments for any straight-line rent accounting), minus (y) \$.0625 multiplied by the aggregate square footage of

all Real Estate Assets at such date; multiplied by (ii) 4; with the product

being divided by (iii) the Capitalization Rate.

Financial Statement Date. March 31, 1977.

Formation Transactions. As defined in the Prospectus.

Fronting Bank. BankBoston or such other Bank as the Borrower may

identify in accordance with Section 3.1.5.

"funds from operations". As defined in accordance with resolutions

adopted by the Board of Governors of the National Association of Real Estate Investment Trusts as in effect on the Closing Date.

> GAAP. Generally accepted accounting principles, consistently applied. - - - -

Grandfathered Properties. Individually and collectively, Long Wharf

Marriott, Boston, Massachusetts and Democracy Center, Bethesda, Maryland whose individual Borrowing Base Values exceed 15% (and may exceed 20%) of the Total Commitment in effect from time to time, but whose aggregate Borrowing Base Values cannot exceed 50% of the Total Commitment in effect from time to time.

Guaranteed Pension Plan. Any employee pension benefit plan within the

meaning of (S)3(2) of ERISA maintained or contributed to by the Borrower or any Guarantor, as the case may be, or any ERISA Affiliate of any of them the benefits of which are guaranteed on termination in full or in part by the PBGC pursuant to Title IV of ERISA, other than a Multiemployer Plan.

Guaranty. The Guaranty dated as of the date hereof made by the

Guarantor in favor of the Agent and the Banks.

-12-

Guarantor. Boston Properties, Inc., a Delaware corporation and the

sole general partner of the Borrower.

Hazardous Substances. See (S)7.18(b).

Indebtedness. All of the following obligations without duplication:

(a) the Obligations to the extent outstanding from time to time; (b) all debt and similar monetary obligations for borrowed money, whether direct or indirect; (c) all other liabilities for borrowed money secured by any Lien existing on property owned or acquired subject thereto, whether or not the liability secured thereby shall have been assumed; (d) reimbursement obligations for letters of credit; and (e) all guarantees, endorsements and other contingent obligations for borrowed money whether direct or indirect in respect of indebtedness or obligations of others.

Initial Closing Date. See (S)11.

Initial Public Offering. The initial public offering of the Guarantor

as described in the Prospectus.

Interest Payment Date. As to any Base Rate Loan, the last day of any

calendar month in which such Loan is outstanding. As to any Eurodollar Rate Loan, the last day of the applicable Interest Period and when such Loan is due, and if such Interest Period is longer than three months, at intervals of three months after the first day thereof, but no less than quarterly.

Interest Period. With respect to each Revolving Credit Loan , but

without duplication of any other Interest Period, (a) initially, the period commencing on the Drawdown Date of such Loan and ending on the last day of one of the following periods (as selected by the Borrower in a Completed Loan Request): (i) for any Base Rate Loan, the last day of the calendar month, and (ii) for any Eurodollar Rate Loan, 1, 2, 3, 4 or 6 months; and (b) thereafter, each period commencing at the end of the last day of the immediately preceding Interest Period applicable to such Revolving Credit Loan and ending on the last day of the applicable period set forth in (a)(i) and (ii) above (as selected by the Borrower in a Conversion Request); provided that all of the foregoing

provisions relating to Interest Periods are subject to the following:

(A) if any Interest Period with respect to a Base Rate Loan would end on a day that is not a Business Day, that Interest Period shall end on the next succeeding Business Day;

(B) if any Interest Period with respect to a Eurodollar Rate Loan would otherwise end on a day that is not a Business Day, that Interest Period shall be extended to the next succeeding Business Day unless the result of such extension would be to carry such Interest Period into another calendar month, in which event such Interest Period shall end on the immediately preceding Business Day;

-13-

(C) if the Borrower shall fail to give notice of conversion as provided in (S)2.5, the Borrower shall be deemed to have requested a conversion of the affected Eurodollar Rate Loan to a Base Rate Loan on the last day of the then current Interest Period with respect thereto;

(D) any Interest Period relating to any Eurodollar Rate Loan that begins on the last Business Day of a calendar month (or on a day for which there is no numerically corresponding day in the calendar month at the end of such Interest Period) shall, subject to subparagraph (E) below, end on the last Business Day of a calendar month; and

(E) any Interest Period that would otherwise extend beyond the Maturity Date shall end on the Maturity Date.

Investments. All expenditures made and all liabilities incurred

(contingently or otherwise, but without double-counting): (i) for the acquisition of stock, partnership or other equity interests or for the acquisition of Indebtedness of, or for loans, advances, capital contributions or transfers of property to, any Person; (ii) in connection with Real Estate Assets Under Development; and (iii) for the acquisition of any other obligations of any Person. In determining the aggregate amount of Investments outstanding at any particular time: (a) there shall be included as an Investment all interest accrued with respect to Indebtedness constituting an Investment unless and until such interest is paid; (b) there shall be deducted in respect of each such Investment any amount received as a return of capital (but only by repurchase, redemption, retirement, repayment, liquidating dividend or liquidating distribution); (c) there shall not be deducted in respect of any Investment any amounts received as earnings on such Investment, whether as dividends, interest or otherwise, except that accrued interest included as provided in the foregoing clause (a) may be deducted when paid; and (d) there shall not be deducted from the aggregate amount of Investments any decrease in the value thereof.

IPO Proceeds. The proceeds of the Initial Public Offering available

to the Borrower (after deducting the costs and expenses incurred in connection with the Initial Public Offering) in the aggregate amount of not less than (i) \$600,000,000 and (ii) such greater amount as may be necessary to enable the Borrower to be in compliance with the terms of this Agreement on the Closing Date.

Joinder Documents. The one or more Joinder Agreements among the

Agent, the Banks and any Wholly-owned Subsidiary which is to become a Borrower at any time after the Closing Date, the form of which is attached hereto as Exhibit G, together with all other documents, instruments and certificates

required by any such Joinder Agreement to be delivered by such Wholly-owned Subsidiary to the Agent and the Banks on the date such Wholly-owned Subsidiary becomes a Borrower hereunder.

-14-

Leases. Leases, licenses and agreements, whether written or oral,

relating to the use or occupation of space in or on the Buildings or on the Real Estate Assets by Persons other than the Borrower, its Subsidiaries or any Partially-Owned Entity.

Leasing Costs. Collectively, leasing commissions, legal fees, design

costs, tenant improvement costs and other costs incurred by the Borrower, its Subsidiaries or any Partially-Owned Entity in connection with entering into Leases or amendments thereto.

> Letter of Credit. See (S)3.1.1. Letter of Credit Application. See (S)3.1.1. Letter of Credit Fee. See (S)3.6. Letter of Credit Participation. See (S)3.1.4.

Liabilities. All obligations, contingent and otherwise, that in

accordance with GAAP should be classified upon the obligor's balance sheet as liabilities, or to which reference should be made by footnotes thereto, including in any event and whether or not so classified: (a) all debt and similar monetary obligations, whether direct or indirect, including, without limitation, all Indebtedness; (b) all liabilities secured by any mortgage, pledge, security interest, lien, charge, or other encumbrance existing on property owned or acquired subject thereto, whether or not the liability secured thereby shall have been assumed; and (c) all guarantees for borrowed money, endorsements and other contingent obligations, whether direct or indirect, in respect of indebtedness or obligations of others, including any obligation to supply funds (including partnership obligations and capital requirements) to or in any manner to invest in, directly or indirectly, the debtor, to purchase indebtedness, or to assure the owner of indebtedness against loss, through an agreement to purchase goods, supplies, or services for the purpose of enabling the debtor to make payment of the indebtedness held by such owner or otherwise, and the obligations to reimburse the issuer in respect of any letters of credit.

Lien. See (S)9.2.

Loan Documents. Collectively, this Agreement, the Letter of Credit

Applications, the Letters of Credit, the Revolving Credit Notes, the Guaranty, the Joinder Documents and any and all other agreements, instruments, documents or certificates now or hereafter evidencing or otherwise relating to the Revolving Credit Loans and executed and delivered by or on behalf of the Borrower or its Subsidiaries or the Guarantor or its Subsidiaries in connection with or in any way relating to the Loans or the transactions contemplated by this Agreement, and all schedules, exhibits and annexes hereto or thereto, as any of the same may from time to time be amended and in effect.

Loans. The Revolving Credit Loans.

- - - -

-15-

Majority Banks. As of any date, the Banks whose aggregate Commitments

constitute at least fifty-one percent (51%) of the Total Commitment.

Maturity Date. June ___, 2000, or such earlier date on which the

Revolving Credit Loans shall become due and payable pursuant to the terms hereof.

Maximum Drawing Amount. The maximum aggregate amount that the

beneficiaries may at any time draw under outstanding Letters of Credit, as such maximum aggregate amount may be reduced from time to time pursuant to the terms of the Letters of Credit.

Minimum Commitment. With reference to the Agent, a Commitment equal

to the greater of (i) \$25,000,000 or (ii) an amount which is greater than or equal to the Commitment of any other Bank.

Moody's. Moody's Investors Service, Inc., and its successors.

Mortgages. Mortgage debt instruments, in which the Borrower holds a

direct or indirect interest, for real estate that is developed.

Multiemployer Plan. Any multiemployer plan within the meaning of

(S)3(37) of ERISA maintained or contributed to b the Borrower or any Guarantor as the case may be or any ERISA Affiliate.

Net Operating Income. As at any date of determination, an amount

equal to (i) the aggregate rental and other income from the operation of all Real Estate Assets during the most recent complete fiscal quarter, multiplied by 4; minus (ii) all expenses and other proper charges incurred in connection with the operation of such Real Estate Assets (including, without limitation, real estate taxes, management fees, bad debt expenses and rent under ground leases) during the most recently completed fiscal quarter multiplied by 4; but, in any case, before payment of or provision for debt service charges for such fiscal quarter, income taxes for such fiscal quarter, and depreciation, amortization, and other non-cash expenses for such fiscal quarter, all as determined in accordance with GAAP (except that any rent leveling adjustments shall be excluded from rental income).

Non-Material Breach. See (S)14.

Obligations. All indebtedness, obligations and liabilities of the

Borrower and its Subsidiaries to any of the Banks and the Agent, individually or collectively (but without double-counting), under this Agreement and each of the other Loan Documents and in respect of any of the Loans and the Revolving Credit Notes and Reimbursement Obligations incurred and the Letter of Credit Applications and the Letters of Credit and other instruments at any time evidencing any thereof, whether existing on the date of this Agreement or arising or incurred hereafter, direct or indirect, joint or several, absolute or contingent, matured or unmatured, liquidated or unliquidated, secured or unsecured, arising by contract, operation of law or otherwise.

-16-

Organizational Documents. Collectively, (i) the Agreement of Limited

Partnership of BPLP, (ii) the Certificate of Limited Partnership of BPLP, (iii) the Certificate of Incorporation of the Guarantor, (iv) the by-laws of the Guarantor, and (v) all of the partnership agreements, corporate charters and by-laws, limited liability company operating agreements, joint venture agreements or similar agreements, charter documents and certificates or other agreements relating to the formation, organization or governance of any Borrower (including, without limitation, any Wholly-owned subsidiary who becomes a Borrower from time to time hereunder), in each case as any of the foregoing may be amended in accordance with Section 8.21.

Outside Closing Date. See (S)11.

Partially-Owned Entity(ies). Any of the partnerships, associations,

corporations, limited liability companies, trusts, joint ventures or other business entities in which the Borrower and/or the Guarantor, directly, or indirectly through its full or partial ownership of another entity, own an equity interest, but which is not required in accordance with GAAP to be consolidated with the Borrower or the Guarantor for financial reporting purposes.

PBGC. The Pension Benefit Guaranty Corporation created by (S)4002

of ERISA and any successor entity or entities having similar responsibilities.

Permits. All governmental permits, licenses, and approvals necessary

for the lawful operation and maintenance of the Real Estate Assets.

Permitted Liens. Liens permitted by (S)9.2.

Permitted Property. A property which is an office property, an

industrial property or a hotel property (including any of such properties being rehabilitated or expanded), including properties having uses ancillary to any of the foregoing, including, without limitation, retail and parking facilities which are ancillary to any such office, industrial or hotel property.

Person. Any individual, corporation, partnership, trust, limited

liability company, unincorporated association, business, or other legal entity, and any government (or any governmental agency or political subdivision thereof).

Preliminary Prospectus. See (S)7.22(a). Prospectus. See (S)7.22(a).

Prospectus Financials. See (S)7.4(a)

-17-

Protected Interest Rate Agreement. An agreement which evidences the

interest protection arrangements required by (S)8.16 hereof, and all extensions, renewals, modifications, amendments, substitutions and replacements thereof

Rate $\ensuremath{\mathsf{Period}}$. The period beginning on the day following delivery to

the Agent of the annual or quarterly financial statements required to be delivered pursuant to Sections 8.4(a) or (b) and ending two days after the day on which the next quarterly (or annual, if applicable) financial statements are delivered to the Agent.

RCRA. See (S)7.18.

Real Estate Assets. The fixed and tangible properties consisting of

land, buildings and/or other improvements owned or ground-leased by the Borrower, by the Guarantor or by any other member of the BP Group at the relevant time of reference thereto, including, without limitation, the Borrowing Base Properties at such time of reference, but excluding all leaseholds other than ground leases having an unexpired term of not less than thirty (30) years from the date hereof (which ground lease unexpired term will include only renewal options exercisable solely at the ground lessee's option and, if exercisable prior to the Maturity Date, so exercised).

Real Estate Assets Under Development. Any Real Estate Assets for

which the Borrower, Guarantor, any of the Borrower's Subsidiaries or any Partially-Owned Entity is actively pursuing construction of one or more Buildings or other improvements and for which construction is proceeding to completion without undue delay from Permit denial, construction delays or otherwise, all pursuant to such Person's ordinary course of business, provided that any such Real Estate Asset (or, if applicable, any Building comprising a portion of any such Real Estate Asset) will no longer be considered a Real Estate Asset Under Development when a certificate of occupancy has issued for such Real Estate Asset (or Building) or such Real Estate Asset (or Building) may otherwise be lawfully occupied for its intended use. Notwithstanding the foregoing, tenant improvements (where available) to previously constructed and/or leased Real Estate Assets shall not be considered Real Estate Assets Under Development.

Record. The grid attached to any Revolving Credit Note, or the

continuation of such grid, or any other similar record, including computer records, maintained by any Bank with respect to any Loan.

Recourse. With reference to any obligation or liability, any

liability or obligation that is not Without Recourse to the obligor thereunder, directly or indirectly. For purposes hereof, a Person shall not be deemed to be "indirectly" liable for the liabilities or obligations of an obligor solely by reason of the fact that such Person has an ownership interest in such obligor, provided that such Person is not otherwise legally liable, directly or indirectly, for such obligor's liabilities or obligations (e.g., by reason of a guaranty or contribution obligation, by operation of law or by reason of such Person being a general partner of such obligor).

-18-

Reimbursement Obligation. The Borrower's obligation to reimburse the

Banks and the Agent on account of any drawing under any Letter of Credit as provided in (S).3.2. Notwithstanding the foregoing, unless the Borrower shall notify the Agent of its intent to repay the Reimbursement Obligation on the date of the related drawing under any Letter of Credit as provided in (S).3.2 and such Reimbursement Obligation is in fact paid by the Borrower on such date, such Reimbursement Obligation shall simultaneously with such drawing be converted to and become a Base Rate Loan as set forth in (S)3.3.

REIT. A "real estate investment trust", as such term is defined in

Section 856 of the Code.

Release. See (S)7.18(c)(iii).

Required Banks. As of any date, the Banks whose aggregate Commitments constitute at least sixty-six and two-thirds percent (66-2/3%) of the Total Commitment.

Revolving Credit Loan(s). Each and every revolving credit loan made

or to be made or deemed made by the Banks to the Borrower pursuant to (S)2 or (S)3.3.

Revolving Credit Notes. Collectively, the separate promissory notes

of the Borrower in favor of each Bank in substantially the form of Exhibit A hereto, in the aggregate principal amount of \$300,000,000, dated as of the date hereof or as of such later date as any Person becomes a Bank under this Agreement, and completed with appropriate insertions, as each of such notes may be amended and/or restated from time to time.

Revolving Credit Note Record. A Record with respect to the Revolving

Credit Notes.

S&P. Standard & Poor's Ratings Group, a division of McGraw-Hill,

Inc., and its successors.

SARA. See (S)7.18. ----SEC. See (S)7.22(a).

SEC Filings. Collectively, (i) the Registration Statement, (ii) the

Prospectus, (iii) the Preliminary Prospectus, (iv) each Form 10-K and Form 8-K filed by the Guarantor with the SEC from time to time and (v) each of the other public forms and reports filed by the Guarantor with the SEC from time to time.

Secured Consolidated Total Indebtedness. As of any date of

determination, the aggregate principal amount of Consolidated Total Indebtedness of the Borrower, the Guarantor and their Subsidiaries outstanding at such date secured by a Lien evidenced by

-19-

a mortgage, deed of trust or other similar security instrument on properties or other assets of the Borrower, the Guarantor or their Subsidiaries, without regard to Recourse.

Subsidiary. Any corporation, association, partnership, limited

liability company, trust, joint venture or other business entity which is required to be consolidated with the Borrower or the Guarantor in accordance with GAAP.

Total Commitment. As of any date, the sum of the then current

Commitments of the Banks, provided that the Total Commitment shall not at any time exceed 3300,000,000.

Type. As to any Revolving Credit Loan, its nature as a Base Rate Loan

or a Eurodollar Rate Loan.

Unanimous Bank Approval. The written consent of each Bank that is a

party to this Agreement at the time of reference.

Unencumbered Asset. Any Real Estate Asset that on any date of

determination is not subject to any Liens (excluding (i) any such Lien imposed by the organizational documents of the owner of such asset relating solely to a restriction on the timing of any sale or refinancing of such Real Estate Asset which does not materially and adversely affect the value of such Real Estate Asset and with respect to which the Agent has been specifically notified, and (ii) any Permitted Liens).

Uniform Customs. With respect to any Letter of Credit, the Uniform

Customs and Practice for Documentary Credits (1993 Revision), International Chamber of Commerce Publication No. 500, or any successor version thereof adopted by the Agent in the ordinary course of its business as a letter of credit issuer and in effect at the time of issuance of such Letter of Credit.

Unsecured Consolidated Total Indebtedness. As of any date of

determination, the aggregate principal amount of Consolidated Total Indebtedness of the Borrower, the Guarantor and their Subsidiaries outstanding at such date (including, without limitation, all the Obligations under this Agreement as of such date), that is not secured by a Lien evidenced by a mortgage, deed of trust or other similar security interest.

Unrestricted Cash and Cash Equivalents. As of any date of

determination, the sum of (a) the aggregate amount of unrestricted cash then actually held by the Borrower or any of its Subsidiaries (excluding without limitation, until forfeited or otherwise entitled to be retained by the Borrower or any of its Subsidiaries, tenant security and other restricted deposits) and (b) the aggregate amount of unrestricted cash equivalents (valued at fair market value) then held by the Borrower or any of its Subsidiaries. As used in this definition, (i) "unrestricted" means the specified asset is not subject to any Liens in favor of any Person and (ii) "cash equivalents" means that such asset has a liquid, par value in cash and is convertible to cash on demand. Notwithstanding anything

-20-

contained herein to the contrary, the term Unrestricted Cash and Cash Equivalents shall not include the Commitments of the Banks to make Loans under this Agreement.

Unused Facility Fee. See (S)2.3(d).

Value of Unencumbered Assets. As at any date of determination, the sum of (i) the Borrowing Base Value plus (ii) Unrestricted Cash and Cash

Equivalents on such date.

Wholly-owned Subsidiary. Any Subsidiary which the Borrower and/or the

Guarantor shall at all times own directly or indirectly (through a Subsidiary or Subsidiaries) at least a majority (by number of votes or controlling interests) of the outstanding voting interests and ninety-nine percent (99%) of the economic interests. For purposes of this definition, (i) with respect to any Subsidiary of the Borrower or the Guarantor which is a Massachusetts nominee trust, references to such Subsidiary shall be deemed to be references to the beneficiary or beneficiaries of such nominee trust, and (ii) BPLP shall not be permitted to be released from its Obligations as a Borrower hereunder, notwithstanding any provision of (S)8.14.

"Without Recourse" or "without recourse". With reference to any

obligation or liability, any obligation or liability for which the obligor thereunder is not liable or obligated other than as to its interest in a designated Real Estate Asset or other specifically identified asset only, subject to such limited exceptions to the non-recourse nature of such obligation or liability, such as, but not limited to, fraud, misappropriation, misapplication and environmental indemnities, as are usual and customary in like transactions involving institutional lenders at the time of the incurrence of such obligation or liability.

(S)1.2. Rules of Interpretation.

(i) A reference to any document or agreement shall include such document or agreement as amended, modified or supplemented from time to time in accordance with its terms or the terms of this Agreement.

(ii) The singular includes the plural and the plural includes the singular.

(iii) A reference to any law includes any amendment or modification to such law.

(iv) A reference to any Person includes its permitted successors and permitted assigns.

 (ν) Accounting terms not otherwise defined herein have the meanings assigned to them by generally accepted accounting principles applied on a consistent basis by the accounting entity to which they refer.

-21-

(vi) The words "include", "includes" and "including" are not limiting.

(vii) All terms not specifically defined herein or by generally accepted accounting principles, which terms are defined in the Uniform Commercial Code as in effect in Massachusetts, have the meanings assigned to them therein.

(viii) Reference to a particular "(S)" refers to that section of this Agreement unless otherwise indicated.

(ix) The words "herein", "hereof", "hereunder" and words of like import shall refer to this Agreement as a whole and not to any particular section or subdivision of this Agreement.

(S)2. THE REVOLVING CREDIT FACILITY.

(S)2.1 Commitment to Lend. Subject to the provisions of (S)2.4

and the other terms and conditions set forth in this Agreement, each of the Banks severally agrees to lend to the Borrower, and the Borrower may borrow, repay, and reborrow from each Bank from time to time between the Closing Date and the Maturity Date upon notice by the Borrower to the Agent (with copies to the Agent for each Bank) given in accordance with (S)2.4 hereof, such sums as are requested by the Borrower up to a maximum aggregate principal amount outstanding (after giving effect to all amounts requested) at any one time equal to such Bank's Commitment minus an amount equal to such Bank's Commitment

 $\label{eq:percentage} \ensuremath{\mathsf{Percentage}}\xspace \ensuremath{\mathsf{nultiplied}}\xspace \ensuremath{\mathsf{by}}\xspace \ensuremath{\mathsf{the}}\xspace \ensuremath{\mathsf{sum}}\xspace \ensuremath{\mathsf{provided}}\xspace \ensuremath{\mathsf{the}}\xspace \ensuremath{\mathsf{sum}}\xspace \ensur$

the outstanding amount of the Revolving Credit Loans (after giving effect to all amounts requested) plus, without double-counting the portion, if any, of any

Letter of Credit which is drawn and included in the Revolving Credit Loans, all outstanding Reimbursement Obligations shall not at any time exceed the lesser of (i) the Total Commitment and (ii) the Borrowing Base Availability at such time, and provided, further, that at the time the Borrower requests a Revolving Credit

Loan and after giving effect to the making thereof: (i) in the case of any borrowing, all of the conditions in (S)13 (and in the case of any initial borrowing, also the conditions in (S)12) have been met at the time of such request, and (ii) there has not occurred and is not continuing (or will not occur by reason of) any Default or Event of Default; it being acknowledged and agreed that the Borrower shall be permitted to request and borrow Loans if a Non-Material Breach (rather than a Default or Event of Default) exists, provided

that in the event that such Non-Material Breach relates to a Real Estate Asset forming part of the Borrowing Base at such time, such Real Estate Asset shall be excluded from the calculation of Borrowing Base Availability for all purposes in the compliance certificate accompanying any Completed Loan Request.

The Revolving Credit Loans shall be made pro rata in accordance with

each Bank's Commitment Percentage. Each request for a Revolving Credit Loan made pursuant to (S)2.4 hereof shall constitute a representation and warranty by the Borrower

-22-

that the conditions set forth in (S)12 have been satisfied (except to the extent any such condition has been waived and/or deferred in writing by the Agent and the required number of Banks) as of the Closing Date and that the conditions set forth in (S)13 have been satisfied (except to the extent any such condition has been waived and/or deferred in writing by the Agent and the required number of Banks) on the date of such request and will be satisfied (except to the extent any such condition has been waived and/or deferred in writing by the Agent and the required number of Banks) on the proposed Drawdown Date of the requested Loan or issuance of Letter of Credit, as the case may be, provided that the making of such representation and warranty by the Borrower

shall not limit the right of any Bank not to lend if such conditions have not been met. No Revolving Credit Loan shall be required to be made by any Bank unless (in connection with the initial Revolving Credit Loan or Letter of Credit) all of the conditions contained in (S)12 have been satisfied (except to the extent any such condition has been waived and/or deferred in writing by the Agent and the required number of Banks) as of the Closing Date and unless all of the conditions set forth in (S)13 have been met at the time of any request for a Revolving Credit Loan (except to the extent any such condition has been waived and/or deferred in writing by the Agent and the required number of Banks).

(S)2.2. The Revolving Credit Notes. The Revolving Credit Loans

shall be evidenced by the Revolving Credit Notes. A Revolving Credit Note shall be payable to the order of each Bank in an aggregate principal amount equal to such Bank's Commitment. The Borrower irrevocably authorizes each Bank to make or cause to be made, at or about the time of the Drawdown Date of any Revolving Credit Loan or at the time of receipt of any payment of principal on such Bank's Revolving Credit Notes, an appropriate notation on such Bank's Revolving Credit Note Record reflecting the making of such Revolving Credit Loan or (as the case may be) the receipt of such payment. The outstanding amount of the Revolving Credit Loans set forth on such Bank's Revolving Credit Note Record shall be prima facie evidence of the principal amount thereof owing and unpaid to such

Bank, but the failure to record, or any error in so recording, any such amount on such Bank's Revolving Credit Note Record shall not limit or otherwise affect the rights and obligations of the Borrower hereunder or under any Revolving Credit Note to make payments of principal of or interest on any Revolving Credit Note when due.

(S)2.3. Interest on Revolving Credit Loans; Fees.

(a) Each Base Rate Loan shall bear interest for the period commencing with the Drawdown Date thereof and ending on the last day of the Interest Period with respect thereto (unless earlier paid in accordance with (S)4.2) at a rate equal to the Base Rate.

(b) Each Eurodollar Rate Loan shall bear interest for the period commencing with the Drawdown Date thereof and ending on the last day of the Interest Period with respect thereto (unless earlier paid in accordance with (S)4.2) at a rate equal to the Eurodollar Rate determined for such Interest Period plus the Applicable Margin.

-23-

(c) The Borrower unconditionally promises to pay interest on each Revolving Credit Loan in arrears on each Interest Payment Date with respect thereto.

(d) The Borrower agrees to pay to the Agent, for the accounts of the Banks in accordance with their respective Commitment Percentages, an unused facility fee calculated at the rate of (i) one-quarter of one percent (1/4%) per annum on the Average Unused Commitment during each calendar quarter or portion thereof during which the Average Unused Commitment is less than or equal to one-half (1/2) of the Total Commitment then in effect and (ii) one eighth of one percent (1/8%) per annum on the Average Unused Commitment during each calendar quarter or portion thereof during which the Average Unused Commitment is greater than one-half (1/2) of the Total Commitment then in effect (the "Unused Facility Fee"). The Unused Facility Fee shall be payable quarterly in arrears on the first Business Day of each calendar quarter for the immediately preceding calendar quarter commencing on the first such date following the Closing Date through the Maturity Date, with a final payment on the Maturity Date.

(S)2.4. Requests for Revolving Credit Loans.

The following provisions shall apply to each request by the Borrower for a Revolving Credit Loan:

(i) The Borrower shall submit a Completed Loan Request to the Agent, together with a duplicate copy of such Completed Loan Request for each Bank which is then a party to this Agreement at the time such loan request is made. Such Completed Loan Requests shall be delivered in separate envelopes to the Agent and be addressed to the Agent and each Bank, respectively, and each such envelope shall be conspicuously marked with the following legend: "LOAN REQUEST -- TIME SENSITIVE -- MUST RESPOND WITHIN [2/4] DAYS" and with the appropriate period filled in. Except as otherwise provided herein, each Completed Loan Request shall be in a minimum amount of \$1,000,000 or an integral multiple of \$100,000 in excess thereof. Each Completed Loan Request shall be irrevocable and binding on the Borrower and shall obligate the Borrower to accept the Revolving Credit Loans requested from the Banks on the proposed Drawdown Date, unless such Completed Loan Request is withdrawn (x) in the case of a request for a Eurodollar Rate Loan, at least four (4) Business Days prior to the proposed Drawdown Date for such Loan, and (y) in the case of a request for a Base Rate Loan, at least two (2) Business Days prior to the proposed Drawdown Date for such Loan.

(ii) Each Completed Loan Request shall be delivered by the Borrower to the Agent by 10:00 a.m. on any Business Day, and at least two (2) Business Days prior to the proposed Drawdown Date of any Base Rate Loan, and at least four (4) Business Days prior to the proposed Drawdown Date of any Eurodollar Rate Loan.

-24-

(iii) Each Completed Loan Request shall include a completed writing in the form of Exhibit B hereto

specifying: (1) the principal amount of the Revolving Credit Loan requested, (2) the proposed Drawdown Date of such Revolving Credit Loan, (3) the Interest Period applicable to such Revolving Credit Loan, and (4) the Type of such Revolving Credit Loan being requested.

(iv) No Bank shall be obligated to fund any Revolving Credit Loan or issue any Letter of Credit unless:

> (a) a Completed Loan Request has been timely received by the Agent as provided in subsection (i) above; and

(b) both before and after giving effect to the Revolving Credit Loan or Letter of Credit to be made or issued pursuant to the Completed Loan Request, all of the conditions contained in (S)12 shall have been satisfied (to the extent such conditions have not been waived and/or deferred in writing by the Agent and the required number of Banks prior to the initial advance) as of the Closing Date, with respect to the initial advance only, and all of the conditions set forth in (S)13 shall have been met, including, without limitation, the condition under (S)13.1 that there be no Default or Event of Default under this Agreement; and

(c) the Agent shall have received (with copies to the Agent for each Bank) a certificate in the form of Exhibit C-1 hereto signed by the

chief financial officer, treasurer or controller of the Borrower setting forth computations evidencing compliance with the covenants contained in (S)10 on a pro forma basis after

giving effect to such requested Revolving Credit Loan (including, without limitation, a certification that, to the best of the Borrower's knowledge, if the Borrowing Base Value and the Borrowing Base Debt Service Coverage Ratio were to be calculated on the Drawdown Date of any Loan for the period through the Drawdown Date rather than through the last day of the most recently completed fiscal quarter, there would be sufficient Borrowing Base Availability for the requested Loan), and certifying that, both before and after giving effect to such requested Revolving Credit Loan or Letter of Credit, no Default or Event of Default exists or will exist under this Agreement or any other Loan Document, and that after taking into account such requested Revolving Credit Loan or Letter of Credit, no Default or Event of Default will exist as of the Drawdown Date.

- 25 -

(v) The Agent will use best efforts to cause the Completed Loan Request to be delivered to each Bank on the same day or the Business Day following the day a Completed Loan Request is received by the Agent.

(S)2.5. Conversion Options.

(a) The Borrower may elect from time to time to convert any outstanding Revolving Credit Loan to a Revolving Credit Loan of another Type, provided that (i) with respect to any such conversion of a Eurodollar Rate Loan to a Base Rate Loan, such conversion shall take place automatically at the end of the applicable Interest Period unless the Borrower provides notice to the Agent of its request to continue such Loan as a Eurodollar Rate Loan as provided in (S)2.5(b) and (S)2.5(a)(ii); (ii) subject to the further proviso at the end of this (S)2.5(a) and subject to (S)2.5(b) and 2.5(d), with respect to any conversion of a Base Rate Loan to a Eurodollar Rate Loan (or a continuation of a Eurodollar Rate Loan, as provided in (S)2.5(b)), the Borrower shall give the Agent (with copies to the Agent for each Bank) at least four (4) Eurodollar Business Days' prior written notice of such election, which such notice must be received by the Agent by 10:00 a.m. on any Business Day; and (iii) no Loan may be converted into a Eurodollar Rate Loan when any Default or Event of Default has occurred and is continuing. All or any part of outstanding Revolving Credit Loans of any Type may be converted as provided herein, provided that each

Conversion Request relating to the conversion of a Base Rate Loan to a Eurodollar Rate Loan shall be for an amount equal to \$1,000,000 or an integral multiple of \$100,000 in excess thereof and shall be irrevocable by the Borrower.

(b) Any Revolving Credit Loan of any Type may be continued as such upon the expiration of the Interest Period with respect thereto (i) in the case of Base Rate Loans, automatically and (ii) in the case of Eurodollar Rate Loans by compliance by the Borrower with the notice provisions contained in (S)2.5(a)(ii); provided that no Eurodollar Rate Loan

may be continued as such when any Default or Event of Default has occurred and is continuing but shall be automatically converted to a Base Rate Loan on the last day of the first Interest Period relating thereto ending during the continuance of any Default or Event of Default. The Borrower shall notify the Agent promptly when any such automatic conversion contemplated by this (S)2.5(b) is scheduled to occur.

(c) In the event that the Borrower does not notify the Agent of its election hereunder with respect to any Revolving Credit Loan, such Loan shall be automatically converted to a Base Rate Loan at the end of the applicable Interest Period.

(d) The Borrower may not request or elect a Eurodollar Rate Loan pursuant to (S)2.4, elect to convert a Base Rate Loan to a Eurodollar Loan pursuant to (S)2.5(a) or elect to continue a Eurodollar Rate Loan pursuant to (S)2.5(b) if, after giving effect thereto, there would be greater than six (6) Eurodollar Rate Loans then outstanding. Any Loan Request for a Eurodollar Rate Loan that would create greater than six (6) Eurodollar Rate Loans outstanding shall be deemed to be a Loan Request for

-26-

a Base Rate Loan. By way of explanation of the foregoing, in the event that the Borrower wishes to convert or continue two or more Loans into one Eurodollar Rate Loan on the same day and for identical Interest Periods (or borrow an additional Loan simultaneously with converting or continuing a Loan for identical Interest Periods), such Eurodollar Rate Loan shall constitute one single Eurodollar Rate Loan for purposes of this clause (d).

(S)2.6. Funds for Revolving Credit Loans.

(a) Subject to the other provisions of this (S)2, not later than 11:00 a.m. (Boston time) on the proposed Drawdown Date of any Revolving Credit Loans, each of the Banks will make available to the Agent, at its Head Office, in immediately available funds, the amount of such Bank's Commitment Percentage of the amount of the requested Revolving Credit Loan. Upon receipt from each Bank of such amount, the Agent will make available to the Borrower the aggregate amount of such Revolving Credit Loan made available to the Agent by the Banks. All such funds received by the Agent by 11:00 a.m. (Boston Time) on any Business Day will be made available to the Borrower not later than 2:00 p.m. on the same Business Day; funds received after such time will be made available by not later than 11:00 a.m. on the next Business Day. The failure or refusal of any Bank to make available to the Agent at the aforesaid time and place on any Drawdown Date the amount of its Commitment Percentage of the requested Revolving Credit Loan shall not relieve any other Bank from its several obligation hereunder to make available to the Agent the amount of its Commitment Percentage of any requested Revolving Credit Loan but in no event shall the Agent (in its capacity as Agent) have any obligation to make any funding or shall any Bank be obligated to fund more than its Commitment Percentage of the requested Revolving Credit Loan or to increase its Commitment Percentage on account of such failure or otherwise.

(b) The Agent may, unless notified to the contrary by any Bank prior to a Drawdown Date, assume that such Bank has made available to the Agent on such Drawdown Date the amount of such Bank's Commitment Percentage of the Revolving Credit Loan to be made on such Drawdown Date, and the Agent may (but it shall not be required to), in reliance upon such assumption, make available to the Borrower a corresponding amount. If any Bank makes available to the Agent such amount on a date after such Drawdown Date, such Bank shall pay to the Agent on demand an amount equal to the product of (i) the average, computed for the period referred to in clause (iii) below, of the weighted average interest rate paid by the Agent for federal funds acquired by the Agent during each day included in such period, multiplied by (ii) the amount of such Bank's

Commitment Percentage of such Revolving Credit Loan, multiplied by (iii) a

fraction, the numerator of which is the number of days that elapsed from and including such Drawdown Date to the date on which the amount of such Bank's Commitment Percentage of such Revolving Credit Loan shall become immediately available to the Agent, and the denominator of which is 365. A statement of the Agent submitted to such Bank with respect to any amounts owing under this paragraph shall be prima facie evidence of the amount due and owing to the Agent

by such Bank.

-27-

at any time and from time to time upon five (5) Business Days' prior written notice to the Agent (with copies to the Agent for each Bank) to reduce by \$500,000 or an integral multiple thereof or terminate entirely the unborrowed portion of the then Total Commitment, whereupon the Commitments of the Banks shall be reduced pro rata in accordance with their respective Commitment Percentages by the amount specified in such notice or, as the case may be, terminated. Upon the effective date of any such reduction or termination, the Borrower shall pay to the Agent for the respective accounts of the Banks the full amount of the Unused Facility Fee then accrued and unpaid on the amount of the reduction. No reduction or termination of the Commitments may be reinstated.

(S)3. LETTERS OF CREDIT.

(S)3.1. Letter of Credit Commitments.

.

(S)3.1.1. Commitment to Issue Letters of Credit.

Subject to the terms and conditions hereof and the execution and delivery by the Borrower of a letter of credit application on the Fronting Bank's customary form as part of a Completed Loan Request (a "Letter of Credit Application"), the Fronting Bank on behalf of the Banks and in reliance upon the agreement of the Banks set forth in (S)3.1.4 and upon the representations and warranties of the Borrower contained herein, agrees, in its individual capacity, to issue, extend and renew for the account of the Borrower one or more letters of credit (individually, a "Letter of Credit"), in such form as may be requested from time to time by the Borrower and reasonably agreed to by the Fronting Bank; provided,

however, that, after giving effect to such Completed Loan Request, (a) the

Maximum Drawing Amount plus all Reimbursement Obligations (to the extent, if any, not yet deemed a Revolving Credit Loan pursuant to (S)3.3), shall not exceed \$50,000,000 at any one time and (b) the sum of (i) all Reimbursement Obligations (to the extent, if any, not yet deemed a Revolving Credit Loan pursuant to (S)3.3) and (ii) the amount of all Loans outstanding shall not exceed the lesser of (x) the Total Commitment in effect at such time and (y) the Borrowing Base Availability at such time.

(S)3.1.2. Letter of Credit Applications. Each Letter

of Credit Application shall be completed to the reasonable satisfaction of the Agent and the Fronting Bank. In the event that any provision of any Letter of Credit Application shall be inconsistent with any provision of this Agreement (including provisions applicable to a Completed Loan Request) or shall impose additional financial or other material obligations (other than technical, administrative and ministerial obligations, whether relating to the mechanics of a draw under a Letter of Credit or otherwise), then the provisions of this Agreement shall, to the extent of any such inconsistency or additional material obligation, govern.

(S)3.1.3. Terms of Letters of Credit. Each Letter of

Credit issued, extended or renewed hereunder shall, among other things, (i) provide for the payment of sight drafts for honor thereunder when presented in accordance with the terms thereof and when accompanied by the documents described therein, and (ii) have an expiry date no

-28-

later than the date which is fourteen (14) days prior to the Maturity Date. Each Letter of Credit so issued, extended or renewed shall be subject to the Uniform Customs.

(S)3.1.4. Obligations of Banks with respect to Letters of Credit. Each Bank severally agrees that it shall be absolutely liable,

without regard to the occurrence of any Default or Event of Default or any other condition precedent whatsoever, to the extent of such Bank's Commitment Percentage, to reimburse the Fronting Bank on demand pursuant to (S)3.3 for the amount of each draft paid by the Fronting Bank under each Letter of Credit to the extent that such amount is not reimbursed by the Borrower pursuant to (S)3.2 (such agreement for a Bank being called herein the "Letter of Credit Participation" of such Bank). Each such payment made by a Bank shall be treated as a purchase by such Bank of a participation in the Fronting Bank's interest in such Letter of Credit and each Bank shall share, in accordance with its respective Commitment Percentage, in any interest which accrues and is payable by the Borrower pursuant to (S)3.2 or otherwise in connection with such Letter of Credit.

(S)3.1.5. Fronting Bank. Notwithstanding the

definition of Fronting Bank, in the event that the Borrower reasonably determines that it would be beneficial to have a Letter of Credit issued by a Bank with a higher rating than BankBoston has at any applicable time of reference (as determined by Moody's or S&P), the Borrower shall have the right to elect any Bank having a higher rating than BankBoston as the Fronting Bank for that particular Letter of Credit.

(S)3.2. Reimbursement Obligation of the Borrower. In order to

induce the Fronting Bank to issue, extend and renew each Letter of Credit and the Banks to participate therein, the Borrower hereby agrees, except as contemplated in (S)3.3 below, to reimburse or pay to the Fronting Bank, for the account of the Fronting Bank or (as the case may be) the Banks, with respect to each Letter of Credit issued, extended or renewed by the Fronting Bank hereunder,

(a) except as otherwise expressly provided in (S)3.2(b) and (c) or (S)3.3, promptly upon notification by the Fronting Bank or the Agent that any draft presented under such Letter of Credit is honored by the Fronting Bank, or the Fronting Bank otherwise makes a payment with respect thereto, (i) the amount paid by the Fronting Bank under or with respect to such Letter of Credit, and (ii) any amounts payable pursuant to (S)5.5 hereof under, or with respect to, such Letter of Credit,

(b) upon the reduction (but not termination) of the Total Commitment to an amount less than the then Maximum Drawing Amount (after taking into account all outstanding Loans and Reimbursement Obligations, if any (without double counting)), an amount equal to such difference, which amount shall be held by the Agent in an interest-bearing account (with interest to be added to such account) as cash collateral for the benefit of the Banks and the Agent for all Reimbursement Obligations, and

(c) upon the termination of the Total Commitment, or the acceleration of the Reimbursement Obligations with respect to all Letters of Credit in accordance with

-29-

(S)14, an amount equal to the then Maximum Drawing Amount on all Letters of Credit, which amount shall be held by the Agent in an interest-bearing account (with interest to be added to such account) as cash collateral for the benefit of the Banks and the Agent for all Reimbursement Obligations.

Each such payment shall be made to the Agent for the benefit of the Banks at the Agent's Head Office in immediately available funds. Interest on any and all amounts not converted to a Loan pursuant to (S)3.3 and remaining unpaid by the Borrower under this (S)3.2 at any time from the date such amounts become due and payable (whether as stated in this (S)3.2, by acceleration or otherwise) until payment in full (whether before or after judgment) shall be payable to the Agent for the benefit of the Banks on demand at the rate specified in (S)5.9 for overdue principal on the Loans.

(S)3.3. Letter of Credit Payments; Funding of a Loan. If any draft

shall be presented or other demand for payment shall be made under any Letter of Credit, the Fronting Bank will use its best efforts to notify the Borrower and the Banks, on or before the date the Fronting Bank intends to honor such drawing, of the date and amount of the draft presented or demand for payment and of the date and time when it expects to pay such draft or honor such demand for payment and, except to the extent the amount of such draft becomes a Revolving Credit Loan as set forth in this (S)3.3, Borrower shall reimburse Agent, as set forth in (S)3.2 above. Notwithstanding anything contained in (S)3.2 above or this (S)3.3 to the contrary, however, unless Borrower shall have notified the Agent and Fronting Bank prior to 11:00 a.m. (New York time) on the Business Day immediately prior to the date of such drawing that Borrower intends to reimburse Fronting Bank for the amount of such drawing with funds other than the proceeds of the Loans, Borrower shall be deemed to have timely given a Completed Loan Request pursuant to (S)2.4 to Agent, requesting a Base Rate Loan on the date on which such drawing is honored and in an amount equal to the amount of such drawing. The Borrower may thereafter convert any such Base Rate Loan to a Loan of another Type in accordance with (S)2.5. Each Bank shall, in accordance with (S)2.6, make available such Bank's Commitment Percentage of such Loan to Agent, the proceeds of which shall be applied directly by Agent to reimburse Fronting Bank for the amount of such draw. In the event that any Bank fails to make available to Agent the amount of such Bank's Commitment Percentage of such Loan on the date of the drawing, Agent shall be entitled to recover such amount on demand from such Bank plus any additional amounts payable under (S)2.6(b) in the event of a late funding by a Bank. The Fronting Bank is irrevocably authorized by the Borrower and each of the Banks to honor draws on each Letter of Credit by the beneficiary thereof in accordance with the terms of the Letter of Credit. The responsibility of the Agent to the Borrower and the Banks shall be only to determine that the documents (including each draft) delivered under each Letter of Credit in connection with such presentment shall be in conformity in all material respects with such Letter of Credit.

(S)3.4. Obligations Absolute. The Borrower's obligations under

this (S)3 shall be absolute and unconditional under any and all circumstances and irrespective of the occurrence of any Default or Event of Default or any condition precedent whatsoever or

- 30 -

any setoff, counterclaim or defense to payment which the Borrower may have or have had against the Agent, any Bank or any beneficiary of a Letter of Credit. The Borrower further agrees with the Agent and the Banks that the Agent and the Banks shall not be responsible for, and the Borrower's Reimbursement Obligations under (S)3.2 shall not be affected by, among other things, the validity or genuineness of documents or of any endorsements thereon (so long as the documents delivered under each Letter of Credit in connection with such presentment shall be in the form required by, and in conformity in all material respects with, such Letter of Credit), even if such documents should in fact prove to be in any or all respects invalid, fraudulent or forged, or any dispute between or among the Borrower, the beneficiary of any Letter of Credit or any financing institution or other party to whom any Letter of Credit may be transferred, or any claims or defenses whatsoever of the Borrower against the beneficiary of any Letter of Credit or any such transferee. The Agent and the Banks shall not be liable for any error, omission, interruption or delay in transmission, dispatch or delivery of any message or advice, however transmitted, in connection with any Letter of Credit. The Borrower agrees that any action taken or omitted by the Agent or any Bank under or in connection with each Letter of Credit and the related drafts and documents, if done in good faith and absent gross negligence, shall be binding upon the Borrower and shall not result in any liability on the part of the Agent or any Bank to the Borrower.

(S)3.5. Reliance by Issuer. To the extent not inconsistent with

(S)3.4, the Agent and any Fronting Bank shall be entitled to rely, and shall be fully protected in relying upon, any Letter of Credit, draft, writing, resolution, notice, consent, certificate, affidavit, letter, cablegram, telegram, telecopy, telex or teletype message, statement, order or other document believed by it to be genuine and correct and to have been signed, sent or made by the proper Person or Persons and upon advice and statements of legal counsel, independent accountants and other experts selected by the Agent. The Agent and any Fronting Bank shall be fully justified in failing or refusing to take any action under this (S)3 (other than the issuance of a Letter of Credit pursuant to a Letter of Credit Application and otherwise in accordance with the terms of this Agreement) unless it shall first have received such advice or concurrence of the Majority Banks as it reasonably deems appropriate or it shall first be indemnified to its reasonable satisfaction by the Banks against any and all liability and expense which may be incurred by it by reason of taking or continuing to take any such action. The Agent and any Fronting Bank shall in all cases be fully protected by the Banks in acting, or in refraining from acting, under this (S)3 in accordance with a request of the Majority Banks, and such request and any action taken or failure to act pursuant thereto shall be binding upon the Banks and all future holders of the Notes or of a Letter of Credit Participation.

(S)3.6. Letter of Credit Fee. The Borrower shall pay to the Agent

a fee (in each case, a "Letter of Credit Fee") in an amount equal to the Applicable L/C Percentage of the undrawn amount of each outstanding Letter of Credit, which fee (a) shall be payable quarterly in arrears on the first day of each calendar quarter for the immediately preceding calendar quarter, with a final payment on the Maturity Date or any earlier date on which the Commitments shall terminate (which Letter of Credit Fee shall be pro-rated for any calendar quarter in which such Letter of Credit is issued, drawn upon or

-31-

otherwise reduced or terminated) and (b) shall be for the accounts of the Banks as follows: (i) an amount equal to 0.25% per annum of the Letter of Credit Fee shall be for the account of the Fronting Bank and (ii) the remainder of the Letter of Credit Fee shall be for the accounts of the Banks (including the Fronting Bank) pro rata in accordance with their respective Commitment

Percentages.

(S)4. REPAYMENT OF THE REVOLVING CREDIT LOANS.

(S)4.1. Maturity. The Borrower promises to pay on the Maturity

Date, and there shall become absolutely due and payable on the Maturity Date, all unpaid principal of the Revolving Credit Loans outstanding on such date, together with any and all accrued and unpaid interest thereon, the unpaid balance of the Unused Facility Fee accrued through such date, and any and all other unpaid amounts due under this Agreement, the Revolving Credit Notes or any other of the Loan Documents.

(S)4.2. Optional Repayments of Revolving Credit Loans. The

Borrower shall have the right, at its election, to prepay the outstanding amount of the Revolving Credit Loans, in whole or in part, at any time without penalty or premium; provided that the outstanding amount of any Eurodollar Rate Loans may not be prepaid unless the Borrower pays the Eurodollar Breakage Costs for each Eurodollar Rate Loan so prepaid at the time of such prepayment. The Borrower shall give the Agent (with copies to the Agent for each Bank), no later than 10:00 a.m., Boston time, at least two (2) Business Days' prior written notice of any prepayment pursuant to this (S)4.2 of any Base Rate Loans, and at least four (4) Eurodollar Business Days' notice of any proposed prepayment pursuant to this (S)4.2 of Eurodollar Rate Loans, specifying the proposed date of prepayment of Revolving Credit Loans and the principal amount to be prepaid. Each such partial prepayment of the Loans shall be in an amount equal to \$500,000 or an integral multiple of \$100,000 in excess thereof or, if less, the outstanding balance of the Revolving Credit Loans then being repaid, shall be accompanied by the payment of all charges, if any, outstanding on all Revolving Credit Loans so prepaid and of all accrued interest on the principal prepaid to the date of payment, and shall be applied, in the absence of instruction by the Borrower, first to the principal of Base Rate Loans and then to the principal of Eurodollar Rate Loans.

(S)4.3 Mandatory Repayment of Loans. If at any time the sum of

the outstanding amount of the Loans, plus the Maximum Drawing Amount, plus without double-counting any Revolving Credit Loans, the outstanding Reimbursement Obligations, if any, exceeds the lesser of (i) the Total Commitment at such time, or (ii) the Borrowing Base Availability at such time, the Borrower shall, within fifteen (15) days after receiving notice of such excess from the Agent (i) pay to the Agent an amount in cash necessary to eliminate such excess, or (ii) add one (1) or more Real Estate Assets to the Borrowing Base which have Borrowing Base Values, in the aggregate, sufficient to eliminate such excess.

-32-

(S)5.1. Funds for Payments.

(a) All payments of principal, interest, fees, and any other amounts due hereunder or under any of the other Loan Documents shall be made to the Agent, for the respective accounts of the Banks or (as the case may be) the Agent, at the Agent's Head Office, in each case in Dollars and in immediately available funds.

(b) All payments by the Borrower hereunder and under any of the other Loan Documents shall be made without setoff or counterclaim and free and clear of and without deduction for any taxes, levies, imposts, duties, charges, fees, deductions, withholdings, compulsory liens, restrictions or conditions of any nature now or hereafter imposed or levied by any jurisdiction or any political subdivision thereof or taxing or other authority therein unless the Borrower is compelled by law to make such deduction or withholding. If any such obligation is imposed upon the Borrower with respect to any amount payable by it hereunder or under any of the other Loan Documents (except with respect to taxes on the income or profits of the Agent or any Bank), the Borrower shall pay to the Agent, for the account of the Banks or (as the case may be) the Agent, on the date on which such amount is due and payable hereunder or under such other Loan Document, such additional amount in Dollars as shall be necessary to enable the Banks to receive the same net amount which the Banks would have received on such due date had no such obligation been imposed upon the Borrower. The Borrower will deliver promptly to the Agent (with copies to the Agent for each Bank) certificates or other valid vouchers for all taxes or other charges deducted from or paid with respect to payments made by the Borrower hereunder or under such other Loan Document.

(S)5.2. Computations. All computations of interest on the Loans

and of other fees to the extent applicable shall be based on a 360-day year and paid for the actual number of days elapsed. Except as otherwise provided in the definition of the term "Interest Period" with respect to Eurodollar Rate Loans, whenever a payment hereunder or under any of the other Loan Documents becomes due on a day that is not a Business Day, the due date for such payment shall be extended to the next succeeding Business Day, and interest shall accrue during such extension. The outstanding amount of the Loans as reflected on the Revolving Credit Note Record from time to time shall constitute prima facie evidence of the principal amount thereof.

(S)5.3. Inability to Determine Eurodollar Rate. In the event,

prior to the commencement of any Interest Period relating to any Eurodollar Rate Loan, the Agent shall reasonably and in good faith determine that adequate and reasonable methods do not exist for ascertaining the Eurodollar Rate that would otherwise determine the rate of interest to be applicable to any Eurodollar Rate Loan during any Interest Period, the Agent shall forthwith give notice of such determination (which shall be conclusive and binding on the Borrower) to the Borrower and the Banks. In such event (a) any Loan Request with respect to Eurodollar Rate Loans shall be automatically withdrawn and shall be deemed a request for Base Rate Loans, (b) each Eurodollar Rate Loan will

- 33 -

automatically, on the last day of the then current Interest Period thereof, become a Base Rate Loan, and (c) the obligations of the Banks to make Eurodollar Rate Loans shall be suspended, in each case unless and until the Agent reasonably and in good faith determines that the circumstances giving rise to such suspension no longer exist, whereupon the Agent shall so notify the Borrower and the Banks.

(S)5.4. Illegality. Notwithstanding any other provisions herein, if

any present or future law, regulation, treaty or directive or in the interpretation or application thereof shall make it unlawful for any Bank to make or maintain Eurodollar Rate Loans, such Bank shall forthwith give notice of such circumstances to the Borrower and thereupon (a) the Commitment of such Bank to make Eurodollar Rate Loans or convert Base Rate Loans to Eurodollar Rate Loans shall forthwith be suspended and (b) such Bank's Commitment Percentage of a Eurodollar Rate Loans then outstanding shall be converted automatically to Base Rate Loans on the last day of each Interest Period applicable to such Eurodollar Rate Loans. The Borrower hereby agrees promptly to pay the Agent for the account of such Bank, upon demand, any additional amounts necessary to compensate such Bank for any costs incurred by such Bank in making any conversion required by this (S)5.4 prior to the last day of an Interest Period with respect to a Eurodollar Rate Loan, including any interest or fees payable by such Bank to lenders of funds obtained by it in order to make or maintain its Eurodollar Rate Loans hereunder.

(S)5.5. Additional Costs, Etc. If any present or future applicable

law, which expression, as used herein, includes statutes, rules and regulations thereunder and interpretations thereof by any competent court or by any governmental or other regulatory body or official charged with the administration or the interpretation thereof and requests, directives, instructions and notices at any time or from time to time hereafter made upon or otherwise issued to any Bank or the Agent by any central bank or other fiscal, monetary or other authority (whether or not having the force of law, but if not having the force of law, then generally applied by the Banks or the Agent with respect to similar loans), shall:

(a) subject any Bank or the Agent to any tax, levy, impost, duty, charge, fee, deduction or withholding of any nature with respect to this Agreement, the other Loan Documents, any Letters of Credit, such Bank's Commitment or the Loans (other than taxes based upon or measured by the income or profits of such Bank or the Agent), or

(b) materially change the basis of taxation (except for changes in taxes on income or profits) of payments to any Bank of the principal of or the interest on any Loans or any other amounts payable to the Agent or any Bank under this Agreement or the other Loan Documents, or

(c) impose or increase or render applicable (other than to the extent specifically provided for elsewhere in this Agreement) any special deposit, reserve,

-34-

assessment, liquidity, capital adequacy or other similar requirements (whether or not having the force of law) against assets held by, or deposits in or for the account of, or loans by, or letters of credit issued by, or commitments of an office of any Bank, or

(d) impose on any Bank or the Agent any other conditions or requirements with respect to this Agreement, the other Loan Documents, any Letters of Credit, the Loans, such Bank's Commitment, or any class of loans, letters of credit or commitments of which any of the Loans or such Bank's Commitment forms a part;

and the result of any of the foregoing is

 to increase the cost to any Bank of making, funding, issuing, renewing, extending or maintaining any of the Loans or such Bank's Commitment or any Letter of Credit, or

(ii) to reduce the amount of principal, interest, Reimbursement Obligation or other amount payable to such Bank or the Agent hereunder on account of such Bank's Commitment, any Letter of Credit or any of the Loans, or

(iii) to require such Bank or the Agent to make any payment or to forego any interest or Reimbursement Obligation or other sum payable hereunder, the amount of which payment or foregone interest or Reimbursement Obligation or other sum is calculated by reference to the gross amount of any sum receivable or deemed received by such Bank or the Agent from the Borrower hereunder,

then, and in each such case, the Borrower will, within thirty (30) days after notice by the Agent or such Bank (such notice to be given promptly by the Agent or such Bank upon the making of any such determination), at any time and from time to time and as often as the occasion therefor may arise, pay to such Bank or the Agent such additional amounts as such Bank or the Agent shall determine in good faith to be sufficient to compensate such Bank or the Agent for such additional cost, reduction, payment or foregone interest or other sum, provided that such Bank or the Agent is generally imposing similar charges on its other similarly situated borrowers.

(S)5.6. Capital Adequacy. If any future law, governmental rule,

regulation, policy, guideline or directive (whether or not having the force of law, but if not having the force of law, then generally applied by the Banks with respect to similar loans) or the interpretation thereof by a court or governmental authority with appropriate jurisdiction affects the amount of capital required or expected to be maintained by banks or bank holding companies and any Bank or the Agent determines that the amount of capital required to be maintained by it is increased by or based upon the existence of Loans made or deemed to be made pursuant hereto, then such Bank or the Agent may notify the Borrower of such fact, and the Borrower shall pay to such Bank or the Agent from time to time, within thirty (30) days after notice by the Agent or such Bank (such notice to be

-35-

given promptly by the Agent or such Bank upon the making of any such determination), as an additional fee payable hereunder, such amount as such Bank or the Agent shall determine reasonably and in good faith and certify in a notice to the Borrower to. be an amount that will adequately compensate such Bank in light of these circumstances for its increased costs of maintaining such capital. Each Bank and the Agent shall allocate such cost increases among its customers in good faith and on an equitable basis, and will not charge the Borrower unless it is generally imposing a similar charge on its other similarly situated borrowers.

(S)5.7. Certificate. A certificate setting forth any additional

amounts payable pursuant to (S)5.5 or 5.6 and a brief explanation of such amounts which are due, including reasonably detailed information regarding the method and calculation of such amount, submitted by any Bank or the Agent to the Borrower, shall be prima facie evidence that such amounts are due and owing.

(S)5.8. Indemnity. In addition to the other provisions of this

Agreement regarding such matters, the Borrower agrees to indemnify the Agent and each Bank and to hold the Agent and each Bank harmless from and against any loss, cost or expense (including loss of the spread to which such Bank would have been entitled through the end of the applicable Interest Period in excess of the applicable interest rate(s) then in effect) that the Agent or such Bank may sustain or incur as a consequence of (a) a default by the Borrower in the payment of any principal amount of or any interest on any Eurodollar Rate Loans as and when due and payable, including any such loss or expense arising from interest or fees payable by the Agent or such Bank to lenders of funds obtained by it in order to maintain its Eurodollar Rate Loans, (b) the failure by the Borrower to make a borrowing or conversion after the Borrower has given a Completed Loan Request for a Eurodollar Rate Loan or a Conversion Request for a Eurodollar Rate Loan, and (c) the making of any payment of a Eurodollar Rate Loan or the making of any conversion of any such Loan to a Base Rate Loan on a day that is not the last day of the applicable by the Agent or a Bank to lenders of funds obtained by it in order to maintain any such Eurodollar Rate Loans; provided, however, that the Borrower shall not be required to so indemnify any

Bank pursuant to clause (b) above during and for any period of time when such Bank has wrongfully failed or refused to fund its proportionate share of a Loan in accordance with the terms of this Agreement and is a Delinquent Bank.

(S)5.9. Interest on Overdue Amounts. Overdue principal and (to the

extent permitted by applicable law) interest on the Loans and all other overdue amounts payable hereunder or under any of the other Loan Documents shall bear interest payable on demand at a rate per annum equal to three percent (3%) above the Base Rate until such amount shall be paid in full (after as well as before judgment). In addition, the Borrower shall pay a late charge equal to three percent (3%) of any amount of interest charges on the Loans which is not paid within ten (10) days of the date when due.

(S)6. GUARANTY. The Guarantor will guaranty the Obligations

pursuant to the Guaranty. The Obligations are full recourse obligations of the Borrower, and all of

-36-

the respective assets and properties of the Borrower shall be available for the payment in full in cash and performance of the Obligations.

(S)7. REPRESENTATIONS AND WARRANTIES. The Borrower for itself and

for the Guarantor insofar as any such statements relate to the Guarantor represents and warrants to the Banks all of the statements contained in this (S)7.

(S)7.1. Authority, Etc.

(a) Organization: Good Standing.

(i) The Borrower is a limited partnership, general partnership, nominee trust or limited liability company, as the case may be, duly organized, validly existing and in good standing under the laws of its state of organization, unless the failure to be so does not relate to BPLP or the Guarantor and is a Non-Material Breach; the Borrower has all requisite limited partnership, general partnership, trust, limited liability company or corporate, as the case may be, power to own its respective properties and conduct its respective business as now conducted and as presently contemplated, unless any such failure to have any of the foregoing does not relate to BPLP or the Guarantor and is a Non-Material Breach; and the Borrower is in good standing as a foreign entity and is duly authorized to do business in the jurisdictions where the Borrowing Base Properties owned or ground-leased by it are located and in each other jurisdiction where such qualification is necessary except where a failure to be so qualified in such other jurisdiction would not have a materially adverse effect on any of their respective businesses, assets or financial conditions.

(ii) The Guarantor is a corporation duly organized, validly existing and in good standing under the laws of the State of Delaware; each Subsidiary of the Guarantor is duly organized, validly existing and in good standing as a corporation, nominee trust, limited liability company, limited partnership or general partnership, as the case may be, under the laws of the state of its organization, unless the failure to be so does not relate to BPLP and is a Non-Material Breach; the Guarantor and each of its Subsidiaries has all requisite corporate, trust, limited liability company, limited partnership or general partnership, as the case may be, power to own its respective properties and conduct its respective business as now conducted and as presently contemplated, unless any such failure to have any of the foregoing does not relate to BPLP or the Guarantor and is a Non-Material Breach; and the Guarantor is in good standing as a foreign entity and is duly authorized to do business in the jurisdictions where

-37-

such qualification is necessary (including in the Commonwealth of Massachusetts) except where a failure to be so qualified in such other would not have a materially adverse effect on the business, assets or financial condition of the Guarantor.

(b) Capitalization. The outstanding equity of BPLP is

comprised of a general partner interest and limited partner interests, all of which have been duly issued and are outstanding and fully paid and nonassessable. All of the issued and outstanding general partner interests of the BPLP are owned and held of record by the Guarantor. There are no outstanding securities or agreements exchangeable for or convertible into or carrying any rights to acquire a general partner interest in BPLP. There are no outstanding commitments, options, warrants, calls or other agreements (whether written or oral) binding on BPLP or the Guarantor which require or could require BPLP or the Guarantor to sell, grant, transfer, assign, mortgage, pledge or otherwise dispose of any general partner interest in BPLP. Except as set forth in the Agreement of Limited Partnership of BPLP, no general partner interests of BPLP are subject to any restrictions on transfer or any partner agreements, voting agreements, trust deeds, irrevocable proxies; or any other similar agreements or interests (whether written or oral). For so long as any Borrower which is a Wholly-owned Subsidiary is a Borrower, BPLP and/or the Guarantor own, directly or indirectly, at least a majority (by number of votes or controlling interests) of the outstanding voting interests and at least 99% of the economic interests in each of the Borrowers other than BPLP.

(c) Due Authorization. The execution, delivery and

performance of this Agreement and the other Loan Documents to which the Borrower or the Guarantor is or is to become a party and the transactions contemplated hereby and thereby (i) are within the authority of the Borrower and the Guarantor, (ii) have been duly authorized by all necessary proceedings on the part of the Borrower or the Guarantor and any general partner thereof, (iii) do not materially conflict with or result in any breach or contravention of any provision of law, statute, rule or regulation to which the Borrower or the Guarantor is subject or any judgment, order, writ, injunction, license or permit applicable to the Borrower or the Guarantor, unless any such conflict, breach or contravention does not relate to BPLP or the Guarantor and is a Non-Material Breach, (iv) do not conflict with any provision of the agreement of limited partnership, any certificate of limited partnership, the charter documents or by-laws of the Borrower or the Guarantor or any general partner thereof, and (v) do not contravene any provisions of, or constitute Default or Event of Default hereunder or a failure to comply with any term, condition or provision of, any other agreement, instrument, judgment, order, decree, permit, license or undertaking binding upon or applicable to the Borrower or the Guarantor or any of the Borrower's or the Guarantor's properties (except for any such failure to comply under any such other agreement, instrument, judgment, order, decree, permit, license, or undertaking as would not materially and adversely affect the condition (financial or otherwise), properties, business or results of operations of BPLP, the Guarantor or, taken as a whole, the BP Group) or result in the creation of any mortgage, pledge, security interest, lien, encumbrance or charge upon any of the properties or assets of the Borrower, the Guarantor.

-38-

the Borrower or the Guarantor is a party has been duly executed and delivered and constitutes the legal, valid and binding obligations of the Borrower and the Guarantor, as the case may be, subject only to applicable bankruptcy, insolvency, reorganization, moratorium or other laws relating to or affecting generally the enforcement of creditors' rights and to the fact that the availability of the remedy of specific performance or injunctive relief is subject to the discretion of the court before which any proceeding therefor may be brought.

(S)7.2. Governmental Approvals. The execution, delivery and

performance by the Borrower of this Agreement and by the Borrower and the Guarantor of the other Loan Documents to which the Borrower or the Guarantor is or is to become a party and the transactions contemplated hereby and thereby do not require (i) the approval or consent of any governmental agency or authority other than those already obtained or those which would not have a material adverse effect on BPLP, the Guarantor or, taken as a whole, the BP Group, or (ii) filing with any governmental agency or authority, other than filings which will be made with the SEC when and as required by law or deemed appropriate by the Guarantor.

(S)7.3. Title to Properties; Leases.

The Borrower and the Guarantor each has good fee or leasehold title to all of its respective properties, assets and rights of every name and nature purported to be owned by it, including, without limitation, that:

(a) As of the Closing Date (with respect to Borrowing Base Properties designated as such on the Closing Date) or the date of designation as an Borrowing Base Properties (with respect to Borrowing Base Properties acquired and/or designated as such after the Closing Date), and in each case to the best of its knowledge thereafter (but only for so long as such Real Estate Assets continue to be Borrowing Base Properties), the Borrower or Guarantor holds good and clear record and marketable fee simple or leasehold title to (or an undivided condominium interest in) the Borrowing Base Properties, subject to no Liens, except for Permitted Liens and, in the case of any ground-leased Borrowing Base Property, the terms of such ground lease, as the same may then or thereafter be amended from time to time in a manner consistent with the minimum term for ground leases set forth in the definition of "Real Estate Assets" in (S)1.1 above.

(b) The Borrower and the Guarantor will, as of the Closing Date (or with respect to the Newport Office Park located in Quincy, Massachusetts, will within a reasonable period of time after the Closing Date), own all of the assets as reflected in the financial statements of the Borrower and the Guarantor described in (S)7.4, the S-11, the Prospectus and the Preliminary Prospectus or acquired since the date of such financial statements (except property and assets sold or otherwise disposed of in the ordinary course of business since that date).

-39-

(S)7.4. Financial Statements. The following financial statements

have been furnished to each of the Banks:

(a) The unaudited pro forma consolidated balance sheet

of the Guarantor and its Subsidiaries as of March 31, 1997, and their related unaudited consolidated statements of operations for the fiscal year ended December 31, 1996 and for the three months ended March 31, 1997, prepared as if the Initial Public Offering and all of the Formation Transactions set forth in the Prospectus had occurred as of March 31, 1997 in the case of the balance sheet and as of the beginning of the fiscal year presented and carried forward through the year or interim period presented in the case of the statements of operations, contained in pages F-1 through F-16, inclusive, of the Prospectus, together with the financial statements for the Boston Properties Predecessor Group (as defined in the Prospectus), combined in accordance with GAAP, contained in pages F-1 through F-32, inclusive, of the Prospectus (collectively, the "Prospectus Financials"). Such Prospectus Financials have been prepared in accordance with GAAP and, assuming such Formation Transactions had occurred as of March 31, 1997 in the case of the pro forma balance sheet and

as of the beginning of the fiscal year presented and carried forward through the year or interim period presented in the case of the pro forma statements of

operations, fairly present the financial condition of the Guarantor and its Subsidiaries (or such Boston Properties Predecessor Group, as the case may be) as at the close of business on the date thereof and the results of operations for the fiscal year then ended. There are no contingent liabilities of the Guarantor or any of its Subsidiaries (or such Boston Properties Predecessor Group, as the case may be) as of such date involving material amounts, known to the officers of the Guarantor or any of its Subsidiaries (or such Boston Properties Predecessor Group, as the case may be) not disclosed in said Prospectus Financials.

(b) A summary of information relating to the Properties (as defined in the Prospectus) as of ______, including true, accurate and complete information in all material respects as to the average annual base rents, occupancy rates and lease expiration information.

(S)7.5 No Material Changes, Etc. Since the Financial Statement

Date, there has occurred no materially adverse change in the financial condition or business of BPLP, the Guarantor or, taken as a whole, the BP Group, other than changes in the ordinary course of business that have not had any materially adverse effect either individually or in the aggregate on the business or financial condition of BPLP, the Guarantor or, taken as a whole, the BP Group. Between the Financial Statement Date and the Closing Date, there has been no material adverse change to the Net Operating Income of any Real Estate Asset that is a Borrowing Base property on the Closing Date.

(S)7.6. Franchises, Patents, Copyrights, Etc. Except to the extent

the failure or breach of such representation or warranty constitutes a Non-Material Breach, the Borrower, Guarantor and each of their respective Subsidiaries possesses all franchises, patents, copyrights, trademarks, trade names, licenses and permits, and rights in respect of the foregoing, adequate for the conduct of their respective businesses substantially as

-40-

now conducted without known conflict with any rights of others, including all material $\ensuremath{\mathsf{Permits}}$.

(S)7.7 Litigation. Except as stated on Schedule 7.7, there are no

actions, suits, proceedings or investigations of any kind pending or, to the Borrower's knowledge, threatened against the Borrower, the Guarantor or any of their respective Subsidiaries before any court, tribunal or administrative agency or board that, if adversely determined, might, either individually or in the aggregate, materially adversely affect the properties, assets, financial condition or business of BPLP, the Guarantor or, taken as a whole, the BP Group, or materially impair the right of BPLP, the Guarantor or, taken as a whole, the BP Group, to carry on their respective businesses substantially as now conducted by them, or result in any substantial liability not adequately covered by insurance, or for which adequate reserves are not maintained, as reflected in the applicable consolidated financial statements or SEC Filings of the Borrower and the Guarantor, or which question the validity of this Agreement or any of the other Loan Documents, or any action taken or to be taken pursuant hereto or thereto.

(S)7.8. No Materially Adverse Contracts, Etc. Neither the

Borrower, the Guarantor nor any of their respective Subsidiaries is subject to any charter, corporate, partnership or other legal restriction, or any judgment, decree, order, rule or regulation that has or is reasonably expected in the future to have (and with respect solely to any restriction on the timing of any sale or refinancing of a Real Estate Asset which would be an acceptable Lien under the definition of "Unencumbered Asset" contained in an Organizational Document, such expectation existed at the time such restriction was imposed) a materially adverse effect on the respective businesses, assets or financial conditions of BPLP, the Guarantor or, taken as a whole, the BP Group. None of the Borrower, the Guarantor or any of their respective Subsidiaries is a party to any contract or agreement that has or is expected, in the judgment of their respective officers, to have any materially adverse effect on the respective businesses of the BPLP, the Guarantor or, taken as a whole, the BP Group.

(S)7.9. Compliance With Other Instruments, Laws, Etc. Neither the

Borrower, the Guarantor nor any of their respective Subsidiaries is in violation of any provision of its partnership agreement or charter, as the case may be, or any respective agreement or instrument to which it may be subject or by which it or any of its properties may be bound or any decree, order, judgment, statute, license, rule or regulation, in any of the foregoing cases in a manner that could result, individually or in the aggregate, in the imposition of substantial penalties or materially and adversely affect the financial condition, properties or businesses of the BPLP, the Guarantor or, taken as a whole, the BP Group.

(S)7.10. Tax Status. (i) Each of the Borrower, the Guarantor and

their respective Subsidiaries (a) has made or filed all federal, state and local income and all other tax returns, reports and declarations required by any jurisdiction to which it is subject, (b) has paid all taxes and other governmental assessments and charges shown or determined to be due on such returns, reports and declarations, except those being contested in good

-41-

faith and by appropriate proceedings, and (c) has set aside on its books provisions reasonably adequate for the payment of all taxes for periods subsequent to the periods to which such returns, reports or declarations apply, and (ii) there are no unpaid taxes in any material amount claimed to be due by the taxing authority of any jurisdiction, and the respective officers of the Borrower and the Guarantor and their respective Subsidiaries know of no basis for any such claim.

(S)7.11 No Event of Default. No Default or Event of Default has

occurred and is continuing.

(S)7.12. Investment Company Acts. None of the Borrower, the

Guarantor or any of their respective Subsidiaries is an "investment company", or an "affiliated company" or a "principal underwriter" of an "investment company", as such terms are defined in the Investment Company Act of 1940.

(S)7.13. Absence of UCC Financing Statements, Etc. Except for

Permitted Liens and except to the extent the failure or breach of such representation and warranty constitutes a Non-Material Breach, there is no financing statement, security agreement, chattel mortgage, real estate mortgage, equipment lease, financing lease, option, encumbrance or other document filed or recorded with any filing records, registry, or other public office, that purports to cover, affect or give notice of any present or possible future lien or encumbrance on, or security interest in, any Borrowing Base Property. Neither the Borrower nor the Guarantor has pledged or granted any lien on or security interest in or otherwise encumbered or transferred any of their respective interests in any Subsidiary who is a Borrower (including in the case of the Guarantor, its interests in BPLP), unless such pledge, lien or security interest relates only to a Borrower other than BPLP and is a Non-Material Breach.

(S)7.14. Absence of Liens. The Borrower or the Guarantor is the

owner of or the holder of a ground leasehold interest in the Borrowing Base Properties free from any Lien, except for Permitted Liens.

(S)7.15. Certain Transactions. [Intentionally Omitted.]

(S)7.16. Employee Benefit Plans; Multiemployer Plans; Guaranteed

Pension Plans. Except as disclosed in the SEC Filings, none of the Borrower, the

Guarantor nor any ERISA Affiliate maintains or contributes to any Employee Benefit Plan, Multiemployer Plan or Guaranteed Pension Plan.

(S)7.17. Regulations U and X. No portion of any Loan is to be

used, and no portion of any Letter of Credit is to be obtained, for the purpose of purchasing or carrying any "margin security" or "margin stock" as such terms are used in Regulations U and X of the Board of Governors of the Federal Reserve System, 12 C.F.R. Parts 221 and 224.

(S)7.18. Environmental Compliance. The Borrower has caused Phase I

and other environmental assessments (collectively, the "Environmental Reports") to be conducted

-42-

and/or taken other steps to investigate the past and present environmental condition and usage of the Real Estate Assets. Based upon such Environmental Reports, to the Borrower's knowledge, except as identified in such Environmental Reports, the Borrower makes the following representations and warranties:

(a) None of the Borrower, its Subsidiaries, any Guarantor or any operator of the Real Estate Assets or any portion thereof, or any operations thereon is in material violation, or alleged material violation, of any judgment, decree, order, law, license, rule or regulation pertaining to environmental matters, including without limitation, those arising under the Resource Conservation and Recovery Act ("RCRA"), the Comprehensive Environmental Response, Compensation and Liability Act of 1980 as amended ("CERCLA"), the Superfund Amendments and Reauthorization Act of 1986 ("SARA"), the Federal Clean Water Act, the Federal Clean Air Act, the Toxic Substances Control Act, or any state or local statute, regulation, ordinance, order or decree relating to health, safety or the environment (hereinafter "Environmental Laws"), which violation or alleged violation has, or its remediation would have, by itself or when aggregated with all such other violations or alleged violations, a material adverse effect on the business, assets or financial condition of the Borrower and its Subsidiaries, taken as a whole, or constitutes a Disqualifying Environmental Event with respect to any of the Borrowing Base Properties.

None of the Borrower, any Guarantor or any of (b) their respective Subsidiaries has received written notice from any third party, including, without limitation, any federal, state or local governmental authority, (i) that it has been identified by the United States Environmental Protection Agency ("EPA) as a potentially responsible party under CERCLA with respect to a site listed on the National Priorities List, 40 C.F.R. Part 300 Appendix B (1986), (ii) that any hazardous waste, as defined by 42 U.S.C. (S)9601(5), any hazardous substances as defined by 42 U.S.C. (S)9601(14), any pollutant or contaminant as defined by 42 U.S.C. (S)9601(33) or any toxic substances, oil or hazardous materials or other chemicals or substances regulated by any Environmental Laws ("Hazardous Substances") which it has generated, transported or disposed of have been found at any site at which a federal, state or local agency or other third party has conducted or has ordered that the Borrower, any Guarantor or any of their respective Subsidiaries conduct a remedial investigation, removal or other response action pursuant to any Environmental Law, or (iii) that it is or shall be a named party to any claim, action, cause of action, complaint, or legal or administrative proceeding (in each case, contingent or otherwise) arising out of any third party's incurrence of costs, expenses, losses or damages of any kind whatsoever in connection with would have a material adverse effect on the business, assets or financial condition of the Borrower and its Subsidiaries, taken as a whole, or constitutes a Disqualifying Environmental Event with respect to any of the Borrowing Base Properties.

(c) (i) No portion of the Real Estate Assets has been used for the handling, processing, storage or disposal of Hazardous Substances except in material accordance with applicable Environmental Laws; and no underground tank or other

-43-

underground storage receptacle for Hazardous Substances is located on any portion of any Real Estate Assets except in material accordance with applicable Environmental Laws, (ii) in the course of any activities conducted by the Borrower, the Guarantor, their respective Subsidiaries or the operators of their respective properties or any ground or space tenants on any Real Estate Asset, no Hazardous Substances have been generated or are being used on such Real Estate Asset except in material accordance with applicable Environmental Laws, (iii) there has been no present or, to the best of Borrower's knowledge, past releasing, spilling, leaking, pumping, pouring, emitting, emptying, discharging, injecting, escaping, disposing or dumping (a "Release") or threatened Release of Hazardous Substances on, upon, into or from the Real Estate Assets in violation of applicable Environmental Laws, (iv) to the best of Borrower's knowledge, there have been no Releases in violation of applicable Environmental Laws upon, from or into any real property in the vicinity of any of the Real Estate Assets which, through soil or groundwater contamination, may have come to be located on such Real Estate Asset, and (ν) to the best of Borrower's Knowledge, any Hazardous Substances that have been generated on any of the Real Estate Assets during ownership thereof by the Borrower, the Guarantor their respective Subsidiaries or the operations of their respective properties have been transported off-site only in compliance with all applicable Environmental Laws; any of which events described in clauses (i) through (v) above would have a material adverse effect on the business, assets or financial condition of BPLP, the Guarantor, or taken as a whole, the BP Group, or constitutes a Disqualifying Environmental Event with respect to any of the Borrowing Base Properties. Notwithstanding that the representations contained herein are limited to the knowledge of the Borrower, any such limitation shall not affect the covenants specified in (S)8.11 or elsewhere in this Agreement.

(d) None of the Borrower, the Guarantor or any of the Real Estate Assets is subject to any applicable Environmental Law requiring the performance of Hazardous Substances site assessments, or the removal or remediation of Hazardous Substances, or the giving of notice to any governmental agency or the recording or delivery to other Persons of an environmental disclosure document or statement, by virtue of the transactions set forth herein and contemplated hereby, or as a condition to the effectiveness of any other transactions contemplated hereby.

(S)7.19. Subsidiaries. Schedule 7.19 sets forth, as of the Closing Date, all of the respective Subsidiaries of BPLP, each other Borrower and the Guarantor.

(S)7.20. Loan Documents. All of the representations and warranties

by or on behalf of the Borrower and the Guarantor and their respective Subsidiaries made in this Agreement and in the other Loan Documents or any document or instrument delivered to the Agent or the Banks pursuant to or in connection with any of such Loan Documents are true and correct in all material respects and do not include any untrue statement of a material fact or omit to state a material fact required to be stated or necessary to make such representations and warranties not materially misleading.

- 44 -

would prevent it from maintaining its qualification as a REIT for its tax year ended December 31, 1997 or from maintaining such qualification at all times during the term of the Loans.

(S)7.22 Initial Public Offering Registration Statement.

(a) A registration statement on Form S-11 (File No. 333-25279) with respect to the Common Stock (as defined in such registration statement) has been prepared by the Guarantor in conformity with the requirements of the Securities Act of 1933, as amended (the "Act"), and the rules and regulations (the "Rules and Regulations") of the Securities and Exchange Commission (the "SEC" or the "Commission") thereunder; and has been filed with the Commission. The Guarantor has prepared and has filed amendments to such registration statement, which amendments have been similarly prepared. There has been delivered to the Agent copies of such registration statement and amendments, together with copies of each exhibit filed therewith. The Guarantor has also prepared a related preliminary prospectus, a copy of which has also been provided to the Agent. The Guarantor has also filed with the Commission (or will timely file) one of the following: (i) prior to effectiveness of such registration statement, a further amendment thereto, including the form of final prospectus, or (ii) a final prospectus in accordance with Rules 430A and 424(b) of the Rules and Regulations. As filed, such amendment and form of final prospectus, or such final prospectus, include all Rule 430A Information.

The term "Registration Statement" as used in this Agreement means the above registration statement at the time such registration statement became effective and, in the event any post-effective amendment thereto became effective, shall also mean such registration statement as so amended; provided,

however, that such term shall also include all Rule 430A Information deemed to

be included in such registration statement at the time such registration statement became effective as provided by Rule 430A of the Rules and Regulations. The term "Preliminary Prospectus" means any preliminary prospectus referred to in the preceding paragraph and any preliminary prospectus included in the Registration Statement at the time it became effective that omits Rule 430A Information. The term "Prospectus" as used in this Agreement shall mean the prospectus relating to the Common Stock in the form in which it is first filed with the Commission pursuant to Rule 424(b) of the Rules and Regulations or, if no filing pursuant to Rule 424(b) of the Rules and Regulations is required, means the form of final prospectus included in the Registration Statement at the time such registration statement became effective. The term "Rule 430A Information" means information with respect to the Common Stock and the offering thereof permitted to be omitted from the Registration Statement when it became effective pursuant to Rule 430A of the Rules and Regulations.

(b) The Commission has not issued any order preventing or suspending the use of any Preliminary Prospectus, and each Preliminary Prospectus has conformed in all material respects to the requirements of the Act and the Rules and Regulations and, as of its date, has not included any untrue statement of a material fact or omitted to state a material fact necessary to make the statements therein, in the light of the circumstances under which they were made, not misleading; as of the Closing Date, the Registration

-45-

Statement has become effective and the Registration Statement and the Prospectus, and any amendments or supplements thereto, contain all material statements and information required to be included therein by the Act and the Rules and Regulations and in all material respects conform to the requirements of the Act and the Rules and Regulations, and neither the Registration Statement nor the Prospectus, nor any amendment or supplement thereto, include any untrue statement of a material fact or omit to state a material fact required to be stated therein or necessary to make the statements therein not misleading.

(S)8. AFFIRMATIVE COVENANTS OF THE BORROWER AND THE GUARANTOR.

The Borrower for itself and on behalf of the Guarantor and their respective Subsidiaries (if and to the extent expressly included in Subsections contained in this Section) covenants and agrees that, so long as any Loan, Letter of Credit or Revolving Credit Note is outstanding or the Banks have any obligation to make any Loans or any Bank has any obligation to issue, extend or renew any Letters of Credit:

(S)8.1. Punctual Payment. The Borrower will duly and punctually

pay or cause to be paid the principal and interest on the Loans and all interest, fees, charges and other amounts provided for in this Agreement and the other Loan Documents, all in accordance with the terms of this Agreement and the Revolving Credit Notes, and the other Loan Documents.

(S)8.2. Maintenance of Office. Each of the Borrower and the

Guarantor will maintain its chief executive office in Boston, Massachusetts, or at such other place in the United States of America as each of them shall designate in Schedule 2 or otherwise upon written notice to the Agent to be

delivered within fifteen (15) days of any change of chief executive office, where, subject to (S)22, notices, presentations and demands to or upon the Borrower and the Guarantor, as the case may be, in respect of the Loan Documents may be given or made.

(S)8.3. Records and Accounts. Each of the Borrower and the

Guarantor will (a) keep, and cause each of its Subsidiaries to keep, true and accurate records and books of account in which full, true and correct entries in all material respects will be made in accordance with GAAP and (b) maintain adequate accounts and reserves for all taxes (including income taxes), contingencies, depreciation and amortization of its properties and the properties of its Subsidiaries; all of such reserves may be unfunded.

(S)8.4. Financial Statements, Certificates and Information. The

Borrower will deliver and cause the Guarantor to deliver (as applicable) to the Agent (with copies to the Agent for each Bank):

(a) as soon as practicable, but in any event not later than ninety (90) days after the end of each fiscal year of the Guarantor, the audited consolidated balance sheet of the Guarantor and its Subsidiaries at the end of such year, and the related audited consolidated statements of income, changes in shareholder's equity and cash flows for the year then ended, in each case, setting forth in comparative form the figures for the

-46-

previous fiscal year and all such statements to be in reasonable detail, prepared in accordance with GAAP, and, in each case, accompanied by an auditor's report prepared without qualification by the Accountants; together with a written statement from such Accountants to the effect that they have read a copy of this Agreement, and that, in making the examination necessary to said certification, they have obtained no knowledge of any Default or Event of Default under (S)9 or (S)10 or otherwise under the provisions of this Agreement relating to the financial condition of the Guarantor or any of its Subsidiaries, or of any facts or circumstances that would cause the Guarantor not to continue to qualify as a REIT for federal income tax purposes, or, if such Accountants shall have obtained knowledge of any then existing Default, Event of Default or such facts or circumstances, they shall make disclosure thereof in such statement;

(b) as soon as practicable, but in any event not later than forty-five (45) days after the end of each of its March 31, June 30 and September 30 fiscal quarters, copies of the unaudited consolidated balance sheet of the Guarantor and its Subsidiaries as at the end of such quarter, and the related unaudited consolidated statements of income, changes in shareholders' equity and cash flows for the portion of the Guarantor's fiscal year then elapsed, all in reasonable detail and prepared in accordance with GAAP (which may be provided by inclusion in the Form 10-Q of the Guarantor filed with the SEC for such period provided pursuant to clause (i) below), together with a certification by the principal financial or accounting officer of the Borrower and the Guarantor that the information contained in such financial statements fairly presents the financial position of the Guarantor and its Subsidiaries on the date thereof (subject to year-end adjustments none of which shall be materially adverse);

(c) Upon the request of the Agent and as soon as practicable, but in any event not later than ninety (90) days after the end of each of its fiscal years, statements of Net Operating Income and outstanding Indebtedness as at the end of such fiscal year and for the fiscal year then ended in respect of each Real Estate Asset (including each Borrowing Base Property), each prepared in accordance with GAAP consistent with the definitions of Net Operating Income and outstanding Indebtedness used in this Agreement and a summary rent roll in respect of each Borrowing Base Property, in each case certified by the chief financial or accounting officer of the Borrower as true and correct in all material respects;

(d) Upon the request of the Agent and as soon as practicable, but in any event not later than forty-five (45) days after the end of each of the fiscal quarters of the Borrower, (1) copies of the unaudited statements of Net Operating Income and outstanding Indebtedness as at the end of such quarter and for the portion of the fiscal year then elapsed in respect of each Real Estate Asset (including each Borrowing Base Property), each prepared in accordance with GAAP consistent with the definitions of Net Operating Income and outstanding Indebtedness used in this Agreement and certified by the chief financial or accounting officer of the Borrower to present fairly the Net Operating Income and outstanding Indebtedness in respect of each such Real Estate Asset and (ii) an occupancy analysis in respect of each Real Estate Asset (including each

-47-

Borrowing Base Property) certified by the chief financial officer of the Borrower to be true and complete in all material respects;

(e) simultaneously with the delivery of the financial statements referred to in subsections (a) and (b) above, a statement in the form of Exhibit C-2 hereto signed by the chief financial or accounting officer of the Borrower and (if applicable) reconciliations to reflect changes in GAAP since the date of such financial statements;

(f) promptly as they become available, a copy of each report (including any so-called management letters) submitted to the Borrower, the Guarantor or any of their respective subsidiaries by the Accountants in connection with each annual audit of the books of the Borrower, the Guarantor or such Subsidiary by such Accountants or in connection with any interim audit thereof pertaining to any phase of the business of the Borrower, the Guarantor or any such Subsidiary;

(g) contemporaneously with (or promptly after) the filing or mailing thereof, copies of all material of a financial nature sent to the holders of any Indebtedness of the Borrower (other than the Loans) for borrowed money, to the extent that the information or disclosure contained in such material refers to or could reasonably be expected to have a material adverse effect on the business, assets, financial condition or prospects, or operations of BPLP, the Guarantor or, taken as a whole, the BP Group;

(h) contemporaneously with the filing or mailing thereof, copies of all material of a financial nature filed with the SEC or sent to the stockholders of the Guarantor;

(i) as soon as practicable, but in any event not later than ninety (90) days after the end of each fiscal year of the Guarantor, copies of the Form 10-K statement filed by the Guarantor with the SEC for such fiscal year, and as soon as practicable, but in any event not later than fifty (50) days after the end of each fiscal quarter of the Guarantor copies of the Form 10-Q statement filed by the Guarantor with the SEC for such fiscal quarter, provided that, in either case, if the SEC has granted an extension for the filing of such statements, the Guarantor shall deliver such statements to the Agent within ten (10) days after the filing thereof with the SEC;

(j) from time to time such other financial data and information about the Borrower, the Guarantor, their respective Subsidiaries, the Real Estate Assets and the Partially-Owned Real Estate Holding Entities as the Agent or any Bank (through the Agent) may reasonably request, including without limitation complete rent rolls, existing environmental reports, and insurance certificates with respect to the Real Estate Assets (including the Borrowing Base Properties);

(k) in the case of the Borrower and the Guarantor, as soon as practicable, but in any event not later than ninety (90) days after the end of each of their respective fiscal years, pro forma projections for the next three fiscal years;

-48-

(1) together with the financial statements delivered pursuant to (S)8.4(a), a certification by the chief financial or accounting officer of the Borrower of the state and federal taxable income of the Guarantor and its Subsidiaries as of the end of the applicable fiscal year; and

(m) in the event that the definition of "funds from operations" is revised by the Board of Governors of the National Association of Real Estate Investment Trusts, a report, certified by the chief financial or accounting officer of the Borrower, of the "funds from operations" of the Borrower based on the definition as in effect on the date of this Agreement and based on the definition as so revised from time to time, which such report shall be delivered to the Agent (with copies to the Agent for each Bank) with the financial statements required to be delivered pursuant to (S)8.4(b) above.

(S)8.5. Notices.

(a)

Defaults. The Borrower will, and will cause the

Guarantor, as applicable, to, promptly after obtaining knowledge of the same, notify the Agent in writing (with copies to the Agent for each Bank) of the occurrence of any Default or Event of Default or Non-Material Breach. If any Person shall give any notice or take any other action in respect of (x) a claimed Default (whether or not constituting an Event of Default) under this Agreement or (y) a claimed failure by the Borrower, the Guarantor or any of their respective Subsidiaries, as applicable, to comply with any term, condition or provision of or under any note, evidence of Indebtedness, indenture or other obligation in excess of \$10,000,000, individually or in the aggregate, to which or with respect to which any of them is a party or obligor, whether as principal or surety, and such failure to comply would permit the holder of such note or obligation or other evidence of Indebtedness to accelerate the maturity thereof, which acceleration would have a material adverse effect on BPLP, the Guarantor or, taken as a whole, the BP Group, the Borrower or Guarantor, as the case may be, shall forthwith give written notice thereof to the Agent and each of the Banks, describing the notice or action and the nature of the claimed failure to comply.

(b) Environmental Events. The Borrower will, and will

cause the Guarantor to, promptly give notice in writing to the Agent (with copies to the Agent for each Bank) (i) upon Borrower's or Guarantor's obtaining knowledge of any material violation (as determined by the Borrower or Guarantor in the exercise of its reasonable discretion) of any Environmental Law regarding any Real Estate Asset or Borrower's or Guarantor's operations, (ii) upon Borrower's or Guarantor's obtaining knowledge of any known Release of any Hazardous Substance at, from, or into any Real Estate Asset which it reports in writing or is reportable by it in writing to any governmental authority and which is material in amount or nature or which could materially affect the value of such Real Estate Asset, (iii) upon Borrower's or such Guarantor's receipt of any notice of material violation of any Environmental Laws or of any material Release of Hazardous Substances in violation of any Environmental Laws or any matter that may be a Disqualifying Environmental Event with respect to any of the Borrowing Base Properties, including a notice or claim of liability or potential responsibility from any

-49-

third party (including without limitation any federal, state or local governmental officials) and including notice of any formal inquiry, proceeding, demand, investigation or other action with regard to (A) Borrower's or such Guarantor's or any other Person's operation of any Real Estate Asset, (B) contamination on, from or into any Real Estate Asset, or (C) investigation or remediation of off-site locations at which Borrower or such Guarantor or any of its predecessors are alleged to have directly or indirectly disposed of Hazardous Substances, or (iv) upon Borrower's or such Guarantor's obtaining knowledge that any expense or loss has been incurred by such governmental authority in connection with the assessment, containment, removal or remediation of any Hazardous Substances with respect to which Borrower or such Guarantor or any Partially-Owned Real Estate Entity may be liable or for which a lien may be imposed on any Real Estate Asset; any of which events described in clauses (i) through (iv) above would have a material adverse effect on the business, assets or financial condition of the Borrower and its Subsidiaries, taken as a whole, or constitutes a Disqualifying Environmental Event with respect to any of the Borrowing Base Properties.

(c) Notification of Claims against Borrowing Base

Properties. The Borrower will, and will cause each Subsidiary to, promptly upon

becoming aware thereof, notify the Agent in writing (with copies to the Agent for each Bank) of any setoff, claims, withholdings or other defenses to which any of the Borrowing Base Properties are subject, which (i) would have a material adverse effect on (x) the business, assets or financial condition of BPLP, the Guarantor or, taken as a whole, the BP Group, or (y) the value of any such Borrowing Base Property, or (ii) with respect to such Borrowing Base Property, constitute a Disqualifying Environmental Event, a Disqualifying Structural Event or a Lien subject to the bonding or insurance requirement of (S)9.2(viii).

(d) Notice of Litigation and Judgments. The Borrower

will, and will cause the Guarantor and their respective Subsidiaries, to give notice to the Agent in writing (with copies to the Agent for each Bank) within fifteen (15) days of becoming aware of any litigation or proceedings threatened in writing or any pending litigation and proceedings an adverse determination in which could materially affect BPLP, the Guarantor or taken as a whole, the BP Group, or any Borrowing Base Property or to which the Borrower, the Guarantor or any of their respective Subsidiaries is or is to become a party involving an uninsured claim against the Borrower, the Guarantor or any of their respective Subsidiaries that could reasonably be expected to have a materially adverse effect on BPLP, the Guarantor or, taken as a whole, the BP Group, the respective properties, business, assets, financial condition or prospects or on the value or operation of the Borrowing Base Properties and stating the nature and status of such litigation or proceedings. The Borrower will, and will cause each of the Guarantor and their respective Subsidiaries to, give notice to the Agent and each of the Banks, in writing, in form and detail reasonably satisfactory to the Agent and each of the Banks, within ten (10) days of any judgment not covered by insurance, final or otherwise, against the Borrower, Guarantor or any of such Subsidiaries in an amount in excess of \$1,000,000.

- 50 -

(e) Acquisition of Real Estate Assets. The Borrower

shall notify the Agent in writing (with copies to the Agent for each Bank) within seven (7) days of the acquisition of any Real Estate Asset by the Borrower, the Guarantor or any other member of the BP Group (whether or not such acquisition was made with proceeds of the Loans), which notice shall include, at the Agent's request, with respect to such Real Estate Asset, its address, a brief description and recent photograph, a rent roll summary, a pro forma and historic (if available) income statement and a summary of the key business terms of such acquisition, provided that the failure of the Borrower to provide such notice to the Agent shall not constitute a Default or Event of Default bereunder.

(f) Insolvency Events. The Borrower shall notify the

Agent in writing (with copies to the Agent for each Bank) promptly after the occurrence of any of the events described in s.14.1(g) or (h) with respect to any member of the BP Group other than BPLP and the Guarantor.

(S)8.6. Existence of Borrower; Maintenance of Properties. The

Borrower will do or cause to be done all things necessary to, and shall, preserve and keep in full force and effect its respective existence in its jurisdiction of organization and will do or cause to be done all things necessary to preserve and keep in full force all of its respective rights and franchises and those of its respective Subsidiaries each of which in the good faith judgment of BPLP may be necessary to properly and advantageously conduct the businesses conducted by it. The Borrower (a) will cause all necessary repairs, renewals, replacements, betterments and improvements to be made to all Real Estate Assets owned or controlled by it, all as in the judgment of the Borrower may be necessary so that the business carried on in connection therewith may be properly and advantageously conducted at all times, subject to the terms of the applicable Leases and partnership agreements or other entity charter documents, and in any event, will keep all of the Real Estate Assets (for so long as such Real Estate Assets are owned by the Borrower, the Guarantor or any of their respective Subsidiaries) in a condition consistent with the Real Estate Assets currently owned or controlled by the Borrower or its Subsidiaries, (b) will cause all of its other properties and those of its Subsidiaries (to the extent controlled by the Borrower) used or useful in the conduct of its business or the business of its Subsidiaries to be maintained and kept in good condition, repair and working order and supplied with all necessary equipment, and (c) will, and will cause each of its Subsidiaries to continue to engage primarily in the businesses now conducted by it and in related businesses, all of the foregoing to the extent necessary to comply with the other terms and conditions set forth in this Agreement, and in the case of clauses (a) and (b) above, except to the extent that the failure to comply with the provisions thereof constitutes a Non-Material Breach.

(S)8.7. Existence of Guarantor; Maintenance of REIT Status of

Guarantor; Maintenance of Properties. The Borrower will cause the Guarantor to

do or cause to be done all things necessary to preserve and keep in full force and effect the Guarantor's existence as a Delaware corporation. The Borrower will cause

-51-

the Guarantor at all times to maintain its status as a REIT and not to take any action which could lead to its disgualification as a REIT. Without limitation of (S)9.3(f) hereof, the Borrower will cause the Guarantor not to engage in any business other than the business of acting as a REIT and serving as the general partner and limited partner of the Borrower, as a member, partner or stockholder of other Persons and matters directly relating thereto and as a Guarantor, and shall cause the Guarantor to conduct all or substantially all of its business operations through the Borrower or through subsidiary partnerships or other entities in which the Borrower owns at least 99% of the economic interests. The Borrower will cause the Guarantor (a) to cause all of its properties and those of its Subsidiaries used or useful in the conduct of its business or the business of its Subsidiaries to be maintained and kept in good condition, repair and working order (including, without limitation, that all Real Estate Assets will be maintained in a condition consistent with the Real Estate Assets currently owned or controlled by the Guarantor or its Subsidiaries), and supplied with all necessary equipment, (b) to cause to be made all necessary repairs, renewals, replacements, betterments and improvements thereof, all as in the judgment of the Guarantor may be necessary so that the business carried on in connection therewith may be properly and advantageously conducted at all in the businesses now conducted by it and in related businesses, in each case under clauses (a), (b) and (c) above to the extent, in the good faith judgment of the Guarantor, necessary to properly and advantageously conduct the businesses being conducted by it.

(S)8.8. Insurance. The Borrower will, and will cause the Guarantor

to, maintain with respect to its properties, and will cause each of its Subsidiaries to maintain with financially sound and reputable insurers, insurance with respect to such properties and its business against such casualties and contingencies as shall be in accordance with the general practices of businesses engaged in similar activities in similar geographic areas and in amounts, containing such terms, in such forms and for such periods as may be reasonable and prudent, unless any failure to do so does not relate to BPLP or the Guarantor and is a Non-Material Breach.

(S)8.9. Taxes. The Borrower will, and will cause the Guarantor and

each of their respective Subsidiaries to, pay or cause to be paid real estate taxes, other taxes, assessments and other governmental charges against the Real Estate Assets before the same become delinquent and will duly pay and discharge, or cause to be paid and discharged, before the same shall become overdue, all taxes, assessments and other governmental charges imposed upon its sales and activities, or any part thereof, or upon the income or profits therefrom, as well as all claims for labor, materials, or supplies that if unpaid might by law become a lien or charge upon any of the Real Estate Assets, unless any failure to do so does not relate to BPLP or the Guarantor and is a Non-Material Breach; provided that any such tax, assessment, charge, levy or claim need not be paid if the validity or amount thereof shall currently be contested in good faith by appropriate proceedings and if the Borrower or the Guarantor shall have set aside on its books adequate reserves with respect thereto; and provided further that the Borrower or the Guarantor will pay all such taxes, assessments, charges, levies or claims forthwith prior to the consummation of proceedings to foreclose any lien that may have attached as security therefor. Promptly upon request by the Agent if required for bank regulatory compliance purposes or similar bank purposes, the Borrower will provide evidence of the

-52-

payment of real estate taxes, other taxes, assessments and other governmental charges against the Real Estate Assets in the form of receipted tax bills or other form reasonably acceptable to the Agent, or evidence of the existence of applicable contests as contemplated herein.

(S)8.10. Inspection of Properties and Books. The Borrower will,

and will cause the Guarantor to, permit the Agent or any of the Banks' other designated representatives upon no less than 24 hours notice (which notice may be given orally or in writing), to visit and inspect any of the properties of the Borrower, the Guarantor or any of their respective Subsidiaries to examine the books of account of the Borrower, the Guarantor and their respective Subsidiaries (and to make copies thereof and extracts therefrom) and to discuss the affairs, finances and accounts of the Borrower, the Guarantor and their respective Subsidiaries with, and to be advised as to the same by, its officers, all at such reasonable times and intervals as the Agent may reasonably request; provided that, so long as no Event of Default has occurred and is continuing,

the Borrower shall only be responsible for the costs and expenses incurred by the Agent in connection with such inspections. The Agent and each Bank agrees to keep any non-public information delivered or made available by the Borrower to it confidential from anyone other than persons employed or retained by the Agent or such Bank who are or are expected to become engaged in evaluating, approving, structuring or administering the Loans; provided that nothing herein shall

prevent the Agent or any Bank from disclosing such information (i) to any other Bank, (ii) to any other person if reasonably incidental to the administration of the Loans, (iii) upon the order of any court or administrative agency, (iv) upon the request or demand of any regulatory agency or authority, (v) which has been publicly disclosed other than as a result of a disclosure by the Agent or any Bank which is not permitted by this Agreement, (vi) in connection with any litigation to which the Agent, any Bank, or their respective Affiliates may be a party, (vii) to the extent reasonably required in connection with the exercise of any remedy hereunder, (vii) to the Agent's or such Bank's Affiliates, legal counsel and independent auditors, and (ix) to any actual or proposed participant or Eligible Assignee of all or part of its rights hereunder.

(S)8.11. Compliance with Laws, Contracts, Licenses, and Permits.

The Borrower will, and will cause the Guarantor to, comply with, and will cause each of their respective Subsidiaries to comply with (a) all applicable laws and regulations now or hereafter in effect wherever its business is conducted, including, without limitation, all Environmental Laws and all applicable federal and state securities laws, (b) the provisions of its partnership agreement or corporate charter and other charter documents and by-laws, as applicable, (c) all material agreements and instruments to which it is a party or by which it or any of its properties may be bound (including the Real Estate Assets and the Leases) and (d) all applicable decrees, orders, and judgments, unless such noncompliance does not relate to BPLP or the Guarantor and constitutes a Non-Material Breach. If at any time while any Loan or Revolving Credit Note or Letter of Credit is outstanding or the Banks have any obligation to make Loans or issue Letters of Credit hereunder, any Permit shall become necessary or required in order that the Borrower may fulfill any of its obligations hereunder, the Borrower and the Guarantor and their respective Subsidiaries will immediately take or cause to be taken all reasonable steps

-53-

within the power of the Borrower or the Guarantor, as applicable, to obtain such Permit and furnish the Agent with evidence thereof.

(S)8.12. Use of Proceeds. Subject at all times to the other

provisions this Agreement, the Borrower will use the proceeds of the Loans solely for working capital and general corporate purposes, including, without limitation, in connection with the acquisition, rehabilitation and development of Permitted Properties and the acquisition of Mortgages in accordance with the provisions of this Agreement.

(S)8.13. Addition of Borrowing Base Property. Prior to the

addition of any Real Estate Asset to the Borrowing Base as a Borrowing Base Property, the Borrower shall promptly deliver to the Agent (i) the Joinder Documents (including the documents, instruments, certificates and agreements required thereby). Upon satisfaction of the requirements of this (S)8.13, and subject to the compliance of any such additional Borrowing Base Property with the Borrowing Base Conditions, such Real Estate Asset shall be included as a Borrowing Base Property.

(S)8.14. Additional Borrowers; Solvency of Borrowers; Removal

of Borrowers.

(a) If, after the Closing Date, BPLP wishes to designate as a Borrowing Base Property a Real Estate Asset that otherwise qualifies as a Borrowing Base Property but is owned or ground-leased by a Person other than the Borrower, BPLP shall cause such Person (which Person must be a Wholly-owned Subsidiary) to become a party to this Agreement and the other applicable Loan Documents prior to such Real Estate Asset becoming a Borrowing Base Property hereunder. The liability of each Borrower which is from time to time a Borrower hereunder shall be joint and several with all other Borrowers for all Obligations for so long as such Borrower hereunder (provided that BPLP shall at all times be a Borrower hereunder). At any time and

from time to time but only for so long as no Default or Event of Default shall then exist, BPLP may notify Agent, in writing (each, a "Release Notice"), that one (1) or more Borrowing Base Properties are to be removed from the Borrowing Base. Such Release Notice shall be accompanied by a Certificate of Compliance in the form of Exhibit C-4, evidencing compliance. Immediately upon receipt of such

Release Notice and Certificate of Compliance, such Borrowing Base Properties (each, a "Released Property") shall be removed from the Borrowing Base and any Wholly-owned Subsidiary which is the owner of a Released Property and which is then a Borrower (other than BPLP) hereunder shall be released from its obligations hereunder (including the Obligations), provided, however, that any

such release shall only be effective as to Obligations arising after the applicable Release Notice (and the Certificate of Compliance evidencing compliance) is received by Agent. BPLP will not permit any Borrower (other than BPLP) that owns or ground leases any Borrowing Base Property to have any Subsidiaries unless such Subsidiary's business, obligations and undertakings are exclusively related to the business of such Borrower.

-54-

(b) Each Borrower and the Guarantor shall remain solvent at all times, unless such failure to remain solvent does not relate to BPLP or the Guarantor and is a Non-Material Breach.

(S)8.15. Further Assurances. The Borrower will, and will cause the

Guarantor to, cooperate with, the Agent and the Banks and execute such further instruments and documents as the Banks or the Agent shall reasonably request to carry out to their satisfaction the transactions contemplated by this Agreement and the other Loan Documents.

8.16. Interest Rate Protection. For any period of time during which

the outstanding balance of the Revolving Credit Loans and Letters of Credit exceeds 200,000,000 for more than 60 consecutive days, the Borrower shall, upon the Agent's reasonable written request (each, an "Agent Notice"), maintain in effect interest rate protection arrangements to reduce the Borrower's interest rate risk on the amounts in excess of such \$200,000,000 balance by means of hedging techniques or vehicles such as interest rate swaps, interest rate caps, interest rate corridors or interest rate collars, in each case to be capped at a rate reasonably satisfactory to the Agent and the Majority Banks and otherwise in form and substance reasonably satisfactory to the Agent. Notwithstanding the foregoing, Borrower shall be considered to be in compliance with the requirements set forth above if, within ten (10) days after Borrower's receipt of Agent's written request, Borrower provides evidence reasonably satisfactory to Agent of Borrower's intent (together with a proposed plan) to reduce such outstanding amounts under the Revolving Credit Loans and Letters of Credit to an amount less than \$200,000,000 during the sixty (60) day period following the date of the Agent's written request. Once obtained, the Borrower shall maintain such arrangements in full force and effect as provided therein, and shall not, without Unanimous Bank Approval, modify, terminate, or transfer such arrangements during the period in which the outstanding balance of the Revolving Credit Loans and Letters of Credit remains in excess of \$200,000,000 with respect to any specific related Agent Notice. The Borrower may, at its option, enter into additional interest rate protection arrangements permitted pursuant to (S)9.3.

(S)8.17. Environmental Indemnification. The Borrower covenants and

agrees that it will indemnify and hold the Agent and each Bank, and each of their respective Affiliates, harmless from and against any and all claims, expense, damage, loss or liability incurred by the Agent or any Bank (including all reasonable costs of legal representation incurred by the Agent or any Bank, but excluding, as applicable, for the Agent or a Bank any claim, expense, damage, loss or liability as a result of the gross negligence or willful misconduct of the Agent or such Bank or any of their respective Affiliates) relating to (a) any Release or threatened Release of Hazardous Substances on any Real Estate Asset; (b) any violation of any Environmental Laws with respect to conditions at any Real Estate Asset or the operations conducted thereon; (c) the investigation or remediation of off-site locations at which the Borrower, the Guarantor or any of their respective Subsidiaries or their predecessors are alleged to have directly or indirectly disposed of Hazardous Substances; or (d) any action, suit, proceeding or

- 55 -

investigation brought or threatened with respect to any Hazardous Substances relating to Real Estate Assets (including, but not limited to, claims with respect to wrongful death, personal injury or damage to property). It is expressly acknowledged by the Borrower that this covenant of indemnification shall survive the payment of the Loans and shall inure to the benefit of the Agent and the Banks and their respective Affiliates, their respective successors, and their respective assigns under the Loan Documents permitted under this Agreement.

(S)8.18. Response Actions. The Borrower covenants and agrees that

if any Release or disposal of Hazardous Substances shall occur or shall have occurred on any Real Estate Asset owned directly or indirectly by the Borrower or the Guarantor, in violation of applicable Environmental Laws, the Borrower will cause the prompt containment and removal of such Hazardous Substances and remediation of such wholly-owned Real Estate Asset as necessary to comply with all Environmental Laws.

(S)8.19. Environmental Assessments. If the Agent in its good faith

judgment, after discussion with the Borrower and review of any environmental reports provided by the Borrower, has reasonable grounds to believe that a Disqualifying Environmental Event has occurred with respect to any one or more of the Borrowing Base Properties, whether or not a Default or an Event of Default shall have occurred, the Agent may, from time to time, for the purpose of assessing and determining whether a Disqualifying Environmental Event has in fact occurred, cause the Borrower to obtain one or more environmental assessments or audits of such Borrowing Base Property prepared by a hydrogeologist, an independent engineer or other qualified consultant or expert approved by the Agent to evaluate or confirm (i) whether any Hazardous Substances are present in the soil or water at such Borrowing Base Property and (ii) whether the use and operation of such Borrowing Base Property complies with all Environmental Laws. Environmental assessments may include without limitation detailed visual inspections of such Borrowing Base Property including, without limitation, any and all storage areas, storage tanks, drains, dry wells and leaching areas, and, if and to the extent reasonable, appropriate and required pursuant to applicable Environmental Laws, the taking of soil samples, surface water samples and ground water samples, as well as such other investigations or analyses as the Agent deems appropriate. All such environmental assessments shall be at the sole cost and expense of the Borrower; provided, however, the Agent may not require environmental assessments at the Borrower's expense, with respect to any Borrowing Base Property, more frequently than upon the occurrence of a Release on any Borrowing Base Property.

(S)8.20. Employee Benefit Plans.

(a) Notice. The Borrower will, and will cause the

Guarantor to, notify the Agent (with copies to the Agent for each Bank) within a reasonable period after the establishment of any Employee Benefit Plan or Guaranteed Pension Plan by any of them or any of their respective ERISA Affiliates other than those disclosed in the SEC Filings and no Borrower will, or will permit the Guarantor to, establish any Employee Benefit Plan, Multiemployer Plan or Guaranteed Pension Plan which could reasonably be

-56-

expected to have a material adverse effect on BPLP, the Guarantor or, taken as a whole, the BP Group.

(b)

In General. Each Employee Benefit Plan maintained

by the Borrower, the Guarantor or any of their respective ERISA Affiliates will be operated in compliance in all material respects with the provisions of ERISA and, to the extent applicable, the Code, including but not limited to the provisions thereunder respecting prohibited transactions.

(c) Terminability of Welfare Plans. With respect to

each Employee Benefit Plan maintained by the Borrower, the Guarantor or any of their respective ERISA Affiliates which is an employee welfare benefit plan within the meaning of (S)3(1) or (S)3(2)(B) of ERISA, the Borrower, the Guarantor, or any of their respective ERISA Affiliates, as the case may be, has the right to terminate each such plan at any time (or at any time subsequent to the expiration of any applicable bargaining agreement) without liability other than liability to pay claims incurred prior to the date of termination.

(d) Unfunded or Underfunded Liabilities. The Borrower

will not, and will not permit the Guarantor to, at any time, have accruing or accrued unfunded or underfunded liabilities with respect to any Employee Benefit Plan, Guaranteed Pension Plan or Multiemployer Plan, or permit any condition to exist under any Multiemployer Plan that would create a withdrawal liability, which such liability could, individually or in the aggregate, reasonably be expected to have a material adverse effect on BPLP, the Guarantor or, taken as a whole, the BP Group.

(S)8.21. No Amendments to Certain Documents. The Borrower will

not, and will not permit the Guarantor to, at any time cause or permit its certificate of limited partnership, agreement of limited partnership (including without limitation the Agreement of Limited Partnership of the Borrower, articles of incorporation, by-laws, operating agreement or other charter documents, as the case may be, to be modified, amended or supplemented in any respect whatever, without (in each case) the express prior written consent or approval of the Agent, if such changes would affect the Guarantor's REIT status or otherwise materially adversely affect the rights of the Agent and the Banks hereunder or under any other Loan Document.

(S)8.22. [Intentionally Omitted.]

(S)9. CERTAIN NEGATIVE COVENANTS OF THE BORROWER AND THE

GUARANTOR. The Borrower for itself and on behalf of the Guarantor covenants and

agrees that, so long as any Loan, Letter of Credit or Revolving Credit Note is outstanding or any of the Banks has any obligation to make any Loans or any Bank has any obligation to issue, extend or renew any Letters of Credit:

- 57 -

The Borrower and the Guarantor may, and may permit their respective Subsidiaries to, create, incur, assume, guarantee or be or remain liable for, contingently or otherwise, any Liabilities other than the specific Liabilities which are prohibited under this (S)9.1 and with respect to which Liabilities each of the Borrower and the Guarantor will not, and will not permit any Subsidiary to, create, incur, assume, guarantee or be or remain liable for, contingently or otherwise, singularly or in the aggregate as follows:

(a) Unsecured Indebtedness (excluding the Obligations) which is incurred under a revolving credit facility with a commercial bank, trust company, or savings and loan association, provided that,

in the event the Borrower acquires a Real Estate Asset with respect to which there is any such unsecured Indebtedness, the Borrower shall have a period of 90 days in which to repay such Indebtedness in full;

(b) Indebtedness which would result in a Default or Event of Default under (S)10 hereof,

(c) An aggregate amount in excess of \$10,000,000 at any one time in respect of taxes, assessments, governmental charges or levies and claims for labor, materials and supplies (other than in respect of properties owned by Partially-Owned Real Estate Holding Entities) for which payment therefor is required to be made in accordance with the provisions of (S)7.9 and such payment is due and delinquent and which is not being contested diligently and in good faith; and

(d) An aggregate amount in excess of \$10,000,000 at any one time in respect of uninsured judgments or awards, with respect to which the applicable periods for taking appeals have expired, or with respect to which final and unappealable judgments or awards have been rendered, and such judgments or awards remain unpaid for more than thirty (30) days.

The terms and provisions of this (S)9.1 are in addition to, and not in limitation of, the covenants set forth in (S)10 of this Agreement.

Without limiting the foregoing, but subject to the other provisions of this Agreement (including without limitation (S)10 hereof), Indebtedness Without Recourse to any of the Credit Parties or any of their respective assets other than their respective interests in the Real Estate Assets that are subject to such Indebtedness Without Recourse is not restricted.

Notwithstanding anything contained herein to the contrary, the Borrower and the Guarantors will not, and will not permit any Subsidiary to, incur any Indebtedness for borrowed money in any single transaction which exceeds \$50,000,000 in the aggregate unless the Borrower shall have delivered a compliance certificate in the form of Exhibit C-3 hereto to the Agent evidencing

covenant compliance at the time of delivery of the certificate and on a pro-forma basis after giving effect to such proposed Indebtedness.

- 58 -

Guarantor and any Wholly-owned Subsidiary will: (a) create or incur or suffer to be created or incurred or to exist any lien, mortgage, pledge, attachment, security interest or other rights of third parties of any kind upon any of the Borrowing Base Properties, whether now owned or hereafter acquired (but only for so long as they remain Borrowing Base Properties), or upon the income or profits therefrom; (b) acquire, or agree or have an option to acquire, any property or assets upon conditional sale or other title retention or purchase money security agreement, device or arrangement in connection with the operation of the Borrowing Base Properties; (c) suffer to exist for a period of more than thirty (30) days, with respect to the Borrowing Base Properties, any taxes, assessments, governmental charges and claims for labor, materials and supplies for which payment thereof is not being contested and required to be made in accordance with the provisions of (S)8.9 and has not been timely made and, with respect to any individual Borrowing Base Property, is in an amount not in excess of the lesser of (i) \$500,000 and (ii) three percent (3%) of the fair market value of the applicable Borrowing Base Property; or (d) sell, assign, pledge or otherwise transfer for security any accounts, contract rights, general intangibles, chattel paper or instruments, with or without recourse, relating to the Borrowing Base Properties (the foregoing items (a) through (d) being sometimes referred to in this (S)9.2 collectively as "Liens"), provided that the

Borrower, the Guarantors and any Wholly-owned Subsidiary may create or incur or suffer to be created or incurred or to exist:

(i) Liens securing taxes, assessments, governmental charges or levies or claims for labor, material and supplies, the Indebtedness with respect to which is not prohibited by (S)9.1(c) or (S)9.2(c) above;

(ii) Liens arising out of deposits or pledges made in connection with, or to secure payment of, worker's compensation, unemployment insurance, old age pensions or other social security obligations; and deposits with utility companies and other similar deposits made in the ordinary course of business;

(iii) Liens (other than affecting the Borrowing Base Properties) in respect of judgments or awards, the Indebtedness with respect to which is not prohibited by (S)9.1(d);

(iv) encumbrances on properties consisting of easements, rights of way, covenants, zoning and other land-use restrictions, building restrictions, restrictions on the use of real property and defects and irregularities in the title thereto; landlord's or lessor's Liens under Leases to which the Borrower, any Guarantor, or any wholly-owned Subsidiary is a party or bound; purchase options granted at a price not less than the market value of such property; and other minor Liens or encumbrances on properties, none of which interferes materially and adversely with the use of the property affected in the ordinary conduct of the business of the Borrower, and which matters (x) do not individually or in the aggregate have a material adverse effect on the business of BPLP, the Guarantor or, taken as a whole, the BP Group (y) do not make title to such property unmarketable by the conveyancing standards in effect where such property is located;

- 59 -

(v) any Leases;

(vi) Liens and other encumbrances or rights of others which exist on the date of this Agreement and which do not otherwise constitute a breach of this Agreement, including, without limitation, Liens created by or pursuant to the Organizational Documents of the Borrower with respect to a restriction on sale or refinancing of a Real Estate Asset that would be an acceptable Lien under the definition of "Unencumbered Asset", so long as all such Liens, individually, or in the aggregate, do not have a material adverse effect on BPLP, the Guarantor or, taken as a whole, the BP Group; provided that

nothing in this clause (vi) shall be deemed or construed to permit an Borrowing Base Property to be subject to a Lien to secure Indebtedness;

(vii) as to Real Estate Assets which are acquired after the date of this Agreement, Liens and other encumbrances or rights of others which exist on the date of acquisition and which do not otherwise constitute a breach of this Agreement; provided that nothing in this clause (vii) shall be deemed or construed to permit a Borrowing Base Property to be subject to a Lien to secure Indebtedness;

(viii) Liens affecting the Borrowing Base Properties in respect of judgments or awards that are under appeal or have been in force for less than the applicable period for taking an appeal, so long as execution is not levied thereunder or in respect of which, at the time, a good faith appeal or proceeding for review is being diligently prosecuted, and in respect of which a stay of execution shall have been obtained pending such appeal or review; provided that the Borrower shall have obtained a bond or insurance or made other

arrangements with respect thereto, in each case reasonably satisfactory to the Agent;

(ix) Liens securing Indebtedness for the purchase price of capital assets (other than Real Estate Assets but including Indebtedness in respect of Capitalized Leases for equipment and other equipment leases) to the extent not otherwise prohibited by (S)9.1; and

(x) other Liens (other than affecting the Borrowing Base Properties) in connection with any Indebtedness permitted under (S)9.1.

Nothing contained in this (S)9.2 shall restrict or limit the Borrower, the Guarantor or any of their respective Wholly-owned Subsidiaries from creating a Lien in connection with any Real Estate Asset which is not a Borrowing Base Property and otherwise in compliance with the other terms of this Agreement.

(S)9.3. Restrictions on Investments. None of the Borrower, the

Guarantor, or any of their respective Subsidiaries will make or permit to exist or to remain outstanding any Investment except Investments in:

-60-

 marketable direct or guaranteed obligations of the United States of America that mature within two (2) years from the date of purchase (including investments in securities guaranteed by the United States of America such as securities in so-called "overseas private investment corporations");

(b) demand deposits, certificates of deposit, bankers acceptances and time deposits of United States banks having total assets in excess of \$1,000,000,000;

(c) securities commonly known as "commercial paper" issued by a corporation organized and existing under the laws of the United States of America or any state thereof that at the time of purchase have been rated and the ratings for which are not less than "P 1" if rated by Moody's, and not less than "A 1" if rated by S&P;

(d) Investments existing on the Closing Date and listed in the SEC Filings or in the financial statements referred to in (S)7.4 hereof;

(e) other Investments hereafter in connection with the acquisition and development of Permitted Properties by the Borrower or any Wholly-owned Subsidiary of the Borrower, provided that the aggregate amounts

actually invested by Borrower (or if not invested directly by Borrower, actually invested by an Affiliate of the Borrower for which the Borrower has any funding obligation), the Guarantor and such Wholly-owned Subsidiary at any time in Real Estate Assets Under Development will not exceed twenty-five percent (25%) of the Fair Market Value of Assets at the time of any such Investment;

(f) so long as no Event of Default has occurred and is continuing or would occur after giving effect thereto, Investments (i) in Real Estate Assets, (ii) in interests in Partially-Owned Real Estate Holding Entities, (iii) in the stock of or other beneficial interests in Persons whose primary operations consist of the ownership, development, operation or management of Real Estate Assets or the ownership of Mortgages, or (iv) consisting of the acquisition of (A) contracts for the management of real estate assets for third parties unrelated to the Borrower, or (B) Mortgages, provided that the aggregate fair market value of Borrower's, Guarantor's, and any such Subsidiary's interest in such other businesses (excluding management and development businesses except to the extent of amounts actually invested by the Borrower, the Guarantor or any such Subsidiary therein) does not exceed twentyfive percent (25%) of the Consolidated Total Adjusted Asset Value at the time of any such Investment;

(g) any Investments now or hereafter made in the Operating Subsidiaries or any Wholly-owned Subsidiary;

(h) Investments in respect of (1) equipment, inventory and other tangible personal property acquired in the ordinary course of business, (2) current trade and customer accounts receivable for services rendered in the ordinary course of business and payable in accordance with customary trade terms, (3) advances in the ordinary course of business to employees for travel expenses, drawing accounts and similar expenditures, (4) prepaid expenses made in the ordinary course of business; and

-61-

(i) shares of so-called "money market funds" registered with the SEC under the Investment Company Act of 1940 which maintain a level per-share value, invest principally in marketable direct or guaranteed obligations of the United States of America and agencies and instrumentalities thereof, and have total assets in excess of \$50,000,000.

(S)9.4. Merger, Consolidation and Disposition of Assets.

None of the Borrower, the Guarantor or any of their respective Subsidiaries will:

(a) become a party to any merger or consolidation without prior written approval of the Majority Banks, except that so long as no Default or Event of Default has occurred and is continuing, or would occur after giving effect thereto, the merger or consolidation of one or more Persons with and into the Borrower or the Guarantor shall be permitted in connection with the acquisition of Real Estate Assets if the Borrower or the Guarantor, as the case may be, is the surviving entity; provided that prior to any such merger or

consolidation (other than (x) the merger or consolidation of one or more Whollyowned Subsidiaries with and into the Borrower or (y) the merger or consolidation of two or more Wholly owned Subsidiaries of the Borrower, the Borrower shall provide to the Agent (with copies to the Agent for each Bank) a statement in the form of Exhibit D hereto signed by the chief financial officer or treasurer of

the Borrower and setting forth in reasonable detail computations evidencing compliance with the covenants contained in (S)(S)10.1 through 10.7 hereof and certifying, to the best knowledge of the signatory, that no Default or Event of Default has occurred and is continuing, or would occur and be continuing after giving effect to such merger or consolidation and all liabilities, fixed or contingent, pursuant thereto;

(b) without limitation of the other provisions of this Agreement, and in particular, subject to the provisions of (S)14 hereof relating to the removal of a Real Estate Asset from the Borrowing Base in connection with the curing of any Default, Event of Default or Non-Material Breach, sell, transfer or otherwise dispose of any Real Estate Assets in any single transaction having a sales price (net of any Indebtedness secured by a Lien on such Real Estate Assets, if any), in excess of \$50,000,000 (collectively and individually, "Sell" or a "Sale") or grant a Lien to secure Indebtedness (an "Indebtedness Lien") in any single transaction in an amount in excess of \$50,000,000 unless, in each such event, the Borrower has provided to the Agent (with copies to the Agent for each Bank) a compliance certificate in the form of Exhibit C-4 or Exhibit C-6, as applicable, hereto signed by the chief

financial officer, treasurer or controller of the Borrower, setting forth in reasonable detail computations evidencing compliance with the covenants contained in (S)10 hereof and certifying that no Default or Event of Default would exist or occur and be continuing after giving effect to all such proposed Sales or Indebtedness Liens.

-62-

(S)9.5. Compliance with Environmental Laws. None of the Borrower,

the Guarantor or any Subsidiary will do any of the following: (a) use any of the Real Estate Assets or any portion thereof as a facility for the handling, processing, storage or disposal of Hazardous Substances except for quantities of Hazardous Substances used in the ordinary course of business and in compliance with all applicable Environmental Laws, (b) cause or permit to be located on any of the Real Estate Assets any underground tank or other underground storage receptacle for Hazardous Substances except in compliance with Environmental Laws, (c) generate any Hazardous Substances on any of the Real Estate Assets except in compliance with Environmental Laws, or (d) conduct any activity at any Real Estate Asset or use any Real Estate Asset in any manner so as to cause a Release in violation of applicable Environmental Laws; unless, with respect to clause (d) above, any such occurrence would constitute a Non-Material Breach hereunder.

(S)9.6. Distributions.

(a) The Borrower will not make (i) annual Distributions in excess of 90% of "funds from operations"; (ii) Distributions in excess of 100% of "funds from operations" for more than three consecutive fiscal quarters; or (iii) any Distributions during any period after any monetary Event of Default has occurred; provided, however, (a) that the Borrower may at all times

(including while a monetary Event of Default is continuing) make Distributions to the extent (after taking into account all available funds of the Guarantor from all other sources) required in order to enable the Guarantor to continue to qualify as a REIT and (b) in the event that the Borrower cures any such monetary default in clause (iii) above and the Agent has accepted such cure prior to accelerating the Loan, the limitation of section (iii) above shall cease to apply with respect to such monetary default.

(b) The Guarantor will not, during any period when any monetary Event of Default has occurred and is continuing, make any Distributions in excess of the Distributions required to be made by the Guarantor in order to maintain its status as a REIT.

(S)9.7. Hotel Properties. At any time of determination, the hotel

properties shall not constitute more than 25% of the Consolidated Total Adjusted Asset Value or more than 25% of the number of Real Estate Assets. The Agent acknowledges that, on the Closing Date, there are seventy-four (74) Real Estate Assets.

(S)10. FINANCIAL COVENANTS; COVENANTS REGARDING BORROWING BASE

 $\ensuremath{\mathsf{PROPERTIES}}$. The Borrower covenants and agrees that, so long as any Loan, Letter

of Credit or Revolving Credit Note is outstanding or any Bank has any obligation to make any Loan or any Bank has any obligation to issue, extend or renew any Letters of Credit:

(S)10.1. Consolidated Total Indebtedness. As at the end of any fiscal

quarter, Consolidated Total Indebtedness on the last day of such quarter shall not exceed 55% of Consolidated Total Adjusted Asset Value for such quarter.

-63-

(S)10.2. Secured Consolidated Total Indebtedness. As at the end of

any fiscal quarter, Secured Consolidated Total Indebtedness shall not exceed (i) 45% of Consolidated Total Adjusted Asset Value for such quarter with respect to any quarter ending on or before June 30, 1998, and (ii) 40% of Consolidated Total Adjusted Asset Value for such quarter with respect to any quarter ending on or after September 30, 1998.

(S)10.3. Debt Service Coverage. As at the end of any fiscal quarter,

the ratio of (i) Consolidated EBITDA for such quarter to (ii) Consolidated Fixed Charges for such quarter shall not be less than 1.75 to 1.0.

(S)10.4. Unsecured Consolidated Total Indebtedness. As at the end of

any fiscal quarter, the Value of Unencumbered Assets for such quarter shall not be less than 1.75 times the Unsecured Consolidated Total Indebtedness on the last day of such quarter.

(S)10.5. Net Worth. As at the end of any fiscal quarter or any other

date of measurement, the Consolidated Net Worth of the Guarantor and its Subsidiaries shall not be less than the sum of (i) \$125,000,000 plus (ii) 75% of

the aggregate proceeds received by the Guarantor (net of fees and expenses customarily incurred in transactions of such type) in connection with any offering of stock in the Guarantor, plus (iii) 75% of the aggregate value of

operating units issued by the Borrower in connection with asset or stock acquisitions (valued at the time of issuance by reference to the terms of the agreement pursuant to which such units are issued), in each case after the Closing Date and on or prior to the date such determination of Consolidated Net Worth is made.

(S)10.6. Borrowing Base Properties.

(a) As at the end of any fiscal quarter or any other date of measurement, the Borrower shall not permit Unsecured Consolidated Total Indebtedness (exclusive of Accounts Payable, but including amounts outstanding under any Loans and Letters of Credit after giving effect to Loan Requests) to exceed 60% of the aggregate Borrowing Base Value.

(b) Except for the Exception Property and the Grandfathered Properties, not more than 15% of the Borrowing Base Value shall be derived from any single Borrowing Base Property. One Borrowing Base Property (the "Exception Property") (but not more than one property (other than the Grandfathered Properties)), which property can differ from time to time, as designated by Borrower) can constitute up to 20% of the Borrowing Base Value. In addition, the Borrowing Base Value derived from the Grandfathered Properties will not be limited in amount, provided that the percentage of the Borrowing

Base Value attributable to the two Grandfathered Properties shall not, in the aggregate, exceed 50% at any time.

(c) For purposes of determining the Borrowing Base Value for this (S)10.6, the Net Operating Income of any Borrowing Base Property acquired during such prior fiscal quarter shall be adjusted on a pro-forma basis by projecting the Net Operating

-64-

Income generated by each such acquired Borrowing Base Property for the portion of the quarter during which it was owned or ground-leased by the Borrower over the entire quarter.

(d) Notwithstanding the Borrowing Base Conditions, in the event that the Borrower desires to include any Unencumbered Asset in the Borrowing Base that does not meet one or more of the Borrowing Base Conditions, any such Unencumbered Asset shall only be permitted to be included in the Borrowing Base in the event that (i) the Borrower has submitted to the Agent a compliance certificate in the form of Exhibit C-5, modified to reflect the non-

conformity of the proposed Borrowing Base Property, and (ii) the Majority Banks have provided the Borrower with written approval, in their sole discretion, for such non-conforming Unencumbered Asset to be included in the Borrowing Base. Upon any such written approval by the Majority Banks, such Unencumbered Asset shall be considered a Borrowing Base Property for all purposes hereunder, provided that on the date of inclusion of any such Unencumbered Asset in the Borrowing Base (and thereafter in accordance with the terms of this Agreement), such Unencumbered Asset is otherwise in compliance with the Borrowing Base Conditions other than with respect to the non-conformity as certified by the Borrower and approved by the Majority Banks in the compliance certificate submitted by the Borrower under clause (i) of the preceding sentence, and provided, further that there is otherwise no Default or Event of Default

existing upon the date of, or arising as a result of, the inclusion of such Unencumbered Asset in the Borrowing Base.

(S)10.7. Borrowing Base Debt Service Coverage Ratio. As of the end of

any fiscal quarter or any other date of measurement, the Borrowing Base Debt Service Coverage Ratio shall not be less than 1.40 to 1.0.

(S)11. ESCROW CLOSING. In order to facilitate the Initial Public

Offering, the parties hereto are, on or before June 16, 1997, executing and delivering into escrow, in accordance with the terms of the Escrow Agreement, all of the Loan Documents, and certain of the other documents and certificates referenced in (S)12 as conditions to making the initial Revolving Credit Loans (the "Escrow Closing"). None of such Loan Documents or other documents or certificates shall be deemed to have been delivered by the Borrower or any other party thereto until all of the conditions to release from escrow, as set forth in the Escrow Agreement, have been satisfied. In the event the conditions for release of the Loan Documents and other documents and certificates have not been satisfied on or prior to the Initial Closing Date (as hereinafter defined) or if extended in accordance with the terms hereof, the Outside Closing Date (as hereinafter defined), the Banks and the Agent shall have no further obligations to the Borrower or the Guarantor with respect to the Commitments, the Loans or any of the other transactions referenced herein and the Borrower and the Agent, except only that the Borrower shall immediately pay to the Agent all amounts incurred by the Agent and the Banks required to be paid by the Borrower under (S)17. The "Initial Closing Date" shall be on or before June 20, 1997 unless the Borrower extends the Initial Closing Date to a date not later than October 2,

-65-

1997 (the "Outside Closing Date") upon written notice delivered to the Agent by no later than the third business day preceding the Initial Closing Date.

(S)12. CONDITIONS TO THE FIRST ADVANCE. The obligations of the

Banks to make the initial Revolving Credit Loans and of the Fronting Bank to issue any initial Letters of Credit shall be subject to the satisfaction of the following conditions precedent on or prior to the Initial Closing Date or, if properly extended, by Borrower, the Outside Closing Date:

(S)12.1. Satisfaction of Escrow Conditions. All conditions to release

of the Loan Documents from Escrow as contained in the Escrow Agreement shall have been satisfied and pursuant thereto each of the duly executed Loan Documents shall have been delivered by the respective parties thereto and, shall be in full force and effect.

(S)12.2. Loan Documents. Each of the Loan Documents shall have

been duly executed and delivered by the respective parties thereto and shall be in full force and effect.

(S)12.3. Certified Copies of Organization Documents. The Agent shall

have received (i) from the Borrower a copy, certified as of a recent date by a duly authorized officer of the Guarantor, in its capacity as general partner of the Borrower, to be true and complete, of the Agreement of Limited Partnership of BPLP and any other Organizational Document or other agreement governing the rights of the partners or other equity owners of the Borrower, and (ii) from the Guarantor a copy, certified as of a recent date by the appropriate officer of the State of Delaware to be true and correct, of the corporate charter of the Guarantor, in each case along with any other organization documents of the Borrower or the Guarantor and their respective general partners, as the case may be, and each as in effect on the date of such certification.

(S)12.4. By-laws; Resolutions. All action on the part of the Borrower

and the Guarantor necessary for the valid execution, delivery and performance by the Borrower and the Guarantor of this Agreement and the other Loan Documents to which any of them is or is to become a party shall have been duly and effectively taken, and evidence thereof satisfactory to the Banks shall have been provided to the Agent. The Agent shall have received from the Guarantor true copies of its by-laws and the resolutions adopted by its board of directors authorizing the transactions described herein and evidencing the due authorization, execution and delivery of the Loan Documents to which the Guarantor and/or the Borrower is a party, each certified by the secretary as of a recent date to be true and complete.

(S)12.5. Incumbency Certificate: Authorized Signers. The Agent shall

have received from the Guarantor an incumbency certificate, dated as of the Closing Date, signed by a duly authorized officer of the Guarantor and giving the name of each individual who shall be authorized: (a) to sign, in the name and on behalf of the Borrower and the Guarantor, as the case may be, each of the Loan Documents to which the Borrower or the Guarantor is or is to become a party; (b) to make Loan and Conversion

-66-

Requests on behalf of the Borrower and (c) to give notices and to take other action on behalf of the Borrower or the Guarantor as applicable, under the Loan Documents.

(S)12.6. Title Policies. The Agent (on behalf of the Banks) shall

have received copies of the owner's title policies, if any, for all Borrowing Base Properties for which the Agent has requested copies, and shall have been permitted to review such other title policies at BPLP as it has requested prior to the Closing Date.

(S)12.7. Certificates of Insurance. The Agent shall have received,

to the extent available (and if not available on the Closing Date, within thirty (30) days after the Closing Date) (a) current certificates of insurance as to all of the insurance maintained by Borrower on the Borrowing Base Properties (including flood insurance if necessary) from the insurer or an independent insurance broker, identifying insurers, types of insurance, insurance limits, and policy terms; and (b) such further information and certificates from Borrower, its insurers and insurance brokers as the Agent may reasonably request.

(S)12.8. Hazardous Substance Assessments. The Agent shall have

received hazardous waste site assessment reports running in favor of the Agent and the Banks concerning Hazardous Substances (or the threat thereof) and asbestos with respect to the Borrowing Base Properties, dated no earlier than July 31, 1996, from environmental engineers reasonably acceptable to the Agent, such reports to be in form and substance satisfactory to the Agent and each of the Banks.

(S)12.9. Opinion of Counsel Concerning Organization and Loan

Documents. Each of the Banks and the Agent shall have received favorable

opinions addressed to the Banks and the Agent in form and substance reasonably satisfactory to the Banks and the Agent from Goodwin, Procter and Hoar LLP and Shaw, Pittman, Potts & Trowbridge, as counsel to the Borrower, the Guarantor and their respective Subsidiaries, with respect to applicable law, including, without limitation, Massachusetts law and certain matters of Delaware law.

(S)12.10. Tax and Securities Law Compliance. Each of the Banks and

the Agent shall also have received from Goodwin, Procter & Hoar LLP, as counsel to the Borrower and the Guarantor, a reliance letter addressed to the Banks and the Agent, in form and substance satisfactory to each of the Banks and the Agent, together with a favorable opinion with respect to the qualification of the Guarantor as a REIT and certain other tax matters.

(S)12.11 Guaranty. The Guaranty shall have been duly executed and

delivered by the Guarantor.

(S)12.12. Structural Condition Assurances. The Agent and each of the

Banks shall have received evidence satisfactory to the Agent and each of the Banks as to the good physical condition of the Buildings and that utilities and public water and sewer service is

-67-

available at the lot lines of the Borrowing Base Properties and connected directly to the Buildings on the Borrowing Base Properties with all necessary Permits.

(S)12.13. Financial Analysis of Borrowing Base Properties. Each of

the Banks shall have completed, to its satisfaction, a financial analysis of each Borrowing Base Property, which analysis shall include, without limitation, a review, with respect to each Borrowing Base Property, of (i) the most recent rent rolls, (ii) three (3) year historical and projected operating statements, (iii) cash flow projections, (iv) market data, (v) selected Leases, and (vi) tenant financial statements, to the extent available. The costs and expenses incurred by each Bank (other than the Agent) in conducting such analysis shall be borne by such Bank; provided that the Borrower will furnish such materials to

the Banks at the Borrower's expense. The Borrower agrees that at the request of any Bank it will furnish the materials described in this (S)12.13 to such Bank after the Closing Date.

(S)12.14. Inspection of Borrowing Base Properties. The Agent shall

have completed to its satisfaction, and at the Borrower's expense, an inspection of the Borrowing Base Properties which the Agent has not inspected in the one (1) year period prior to the Closing Date.

(S)12.15. Certifications from Government Officials; UCC-11 Reports.

The Agent shall have received long-form certifications from government officials evidencing the legal existence, good standing and foreign qualification of the Borrower and the Guarantor, along with a certified copy of the certificate of limited partnership of the Borrower, all as of the most recent practicable date.

(S)12.16. Completion of Initial Public Offering; IPO Proceeds. The

Guarantor (i) shall have successfully completed the Initial Public Offering and shall have received net IPO Proceeds of at least \$600,000,000 or such greater amount as may be necessary to enable the Borrower to be in compliance with the terms hereof on the Closing Date; and (ii) all Formation Transactions (as described in the Prospectus) shall have been completed.

(S)12.17. Proceedings and Documents. All proceedings in connection

with the transactions contemplated by this Agreement, the other Loan Documents and all other documents incident thereto shall be satisfactory in form and substance to each of the Banks and to the Agent's counsel, and the Agent, each of the Banks and such counsel shall have received all information and such counterpart originals or certified or other copies of such documents as the Agent may reasonably request.

(S)12.18. Fees. The Borrower shall have paid to the Agent, for the

accounts of the Banks or for its own account, as applicable, all of the fees and expenses that are due and payable as of the Closing Date in accordance with this Agreement.

(S)12.19. Closing Certificate; Compliance Certificate. The Borrower

shall have delivered a Closing Certificate to the Agent, the form of which is attached hereto as

-68-

Exhibit E. The Borrower shall have delivered a compliance certificate in the

form of Exhibit C-6 hereto evidencing compliance with the covenants set forth in

(S)10 hereof on a pro forma basis.

(S)12.21. Release Documents. The Agent shall have delivered to the

Borrower appropriate release documentation necessary to release all security interests granted by the Borrower in the Borrowing Base Properties, including, without limitation, appropriate releases of mortgages and deeds of trust and UCC termination statements.

(S)13. CONDITIONS TO ALL BORROWINGS. The obligations of the Banks

to make any Loan and of any Bank to issue, extend or renew any Letter of Credit, in each case, whether on or after the Closing Date, shall also be subject to the satisfaction of the following conditions precedent:

(S)13.1. Representations True; No Event of Default; Compliance

Certificate. Each of the representations and warranties made by or on behalf of

the Borrower, the Guarantor or any of their respective Subsidiaries contained in this Agreement, the other Loan Documents or in any document or instrument delivered pursuant to or in connection with this Agreement shall be true as of the date as of which they were made and shall also be true at and as of the time of the making of each Loan or the issuance, extension or renewal of each Letter of Credit, with the same effect as if made at and as of that time (except (i) to the extent of changes resulting from transactions contemplated or not prohibited by this Agreement or the other Loan Documents (including, without limitation, the fact that a Real Estate Asset may cease to be a Borrowing Base Property pursuant to the terms of this Agreement) and changes occurring in the ordinary course of business, (ii) to the extent that such representations and warranties relate expressly to an earlier date and (iii) to the extent otherwise represented by the Borrower with respect to the representation set forth in (S)7.10); and no Default or Event of Default under this Agreement shall have occurred and be continuing on the date of any Loan Request or on the Drawdown Date of any Loan. Each of the Banks shall have received a certificate of the Borrower signed by an authorized officer of the Borrower as provided in (S)2.4(iv)(c).

(S)13.2. No Legal Impediment. No change shall have occurred any law

or regulations thereunder or interpretations thereof that in the reasonable opinion, as determined in good faith, of the Agent or any Bank would make it illegal for any Bank to make such Loan or to participate in the issuance, extension or renewal of such Letter of Credit or, in the reasonable opinion, as determined in good faith, of the Agent, would make it illegal to issue, extend or renew such Loan or Letter of Credit.

(S)13.3. Governmental Regulation. Each Bank shall have received such

statements in substance and form reasonably satisfactory to such Bank as such Bank shall reasonably require in good faith for the purpose of compliance with any applicable regulations of the Comptroller of the Currency or the Board of Governors of the Federal Reserve System.

-69-

(S)14. EVENTS OF DEFAULT; ACCELERATION: ETC.

(S)14.1. Events of Default and Acceleration. If any of the following

events ("Events of Default") shall occur:

.

(a) the Borrower shall fail to pay any principal of the Loans when the same shall become due and payable;

(b) the Borrower shall fail to pay any interest on the Loans or any other sums due hereunder or under any of the other Loan Documents (including, without limitation, amounts due under (S)8.17) when the same shall become due and payable, and such failure continues for three (3) days (provided that in the case of such sums due other than for interest, the

Borrower shall have received from the Agent notice of the nature and amount of such other amounts and that payment therefor is due);

(c) the Borrower, the Guarantor or any of their respective Subsidiaries shall fail to comply with any of their respective covenants contained in the following:

(i) (S)8.1 (except with respect to principal, interest and other sums covered by clauses (a) or (b) above);

(ii) (S).8.5 (clauses (a) through
(d)), unless such failure is cured within fifteen
(15) Business Days;

(iii) (S)8.6 (as to the legal existence of Borrower), unless such breach relates to a Borrower other than BPLP and is a Non-Material Breach;

(iv) (S)8.7 (as to the legal existence and REIT status of the Guarantor);

(v) (S)8.10, unless such failure is cured within three (3) Business Days;

(vi) (S)8.12;

(vii) (S).8.13, unless, with respect solely to clauses (ii) and (iii) of (S)8.13, such failure is cured within thirty (30) days;

(viii) (S)8.14, unless, with respect solely to the last sentence of clause (a) of (S)8.14, such failure is cured within thirty (30) days;

(ix) (S)8.16;

-70-

(X) (S)9.1;

(xi) (S)9.2 (pertaining to liens, mortgages, pledges, attachments or other security interests with respect to Borrowing Base Properties) unless (1) with respect solely to such liens or attachments which are not affirmatively created or incurred, such failure is cured within thirty (30) days (with no double-counting of any cure period set forth in (S)9.2) or (2) such failure is a breach which is a Non-Material Breach;

(xii)	(S)9.3;	
(xiii)	(S)9.4;	
(xiv)	(S)9.6;	
(xv)	(S)9.7;	and
(xvi)	(S)10;	

(d) the Borrower, the Guarantor or any of their respective Subsidiaries shall fail to perform any other term, covenant or agreement contained herein or in any of the other Loan Documents (other than those specified elsewhere in this (S)14) and such failure continues for thirty (30) days after written notice of such failure from the Agent (such notice not, however, being required for any failure with respect to which the Borrower is otherwise obligated hereunder to notify the Agent or the Banks), provided,

however, that if the Borrower is diligently and in good faith prosecuting a cure

of any such failure or breach that is capable of being cured (all as determined by the Agent in its reasonable and good faith judgment), the Borrower shall be permitted an additional thirty (30) days (but in no event more than an aggregate of sixty (60) days after any such initial written notice from the Agent) to effect such cure;

(e) any representation or warranty of the Borrower, the Guarantor or any of their respective Subsidiaries in this Agreement or any of the other Loan Documents shall prove to have been false in any material respect upon the date when made or deemed to have been made or repeated and the same is not otherwise specified herein to be a Non-Material Breach;

(f) the Borrower, the Guarantor or any of their respective Subsidiaries or, to the extent of Recourse to the Borrower, the Guarantor or such Subsidiaries thereunder, any of their respective Affiliates, shall fail to pay at maturity, or within any applicable period of grace, any obligation for borrowed money or credit received or in respect of any Capitalized Leases (other than non-recourse obligations or credit), which is in excess of \$50,000,000, either individually or in the aggregate, or fail to observe or perform any material term, covenant, condition or agreement contained in any agreement, document or instrument by which it is bound evidencing, securing or otherwise relating

-71-

to such Recourse obligations, evidencing or securing borrowed money or credit received or in respect of any Capitalized Leases for such period of time (after the giving of appropriate notice if required) as would permit the holder or holders thereof or of any obligations issued thereunder in excess of \$50,000,000, either individually or in the aggregate, to accelerate the maturity thereof; provided, however that notwithstanding the foregoing, no Event of

Default under the Loan Document shall occur pursuant to this subparagraph (f) unless and until the holder or holders of such recourse indebtedness have declared an event of default beyond any applicable notice and grace periods, if any, on in excess of \$50,000,000 of such recourse indebtedness either individually or in the aggregate;

(g) any of BPLP, the Guarantor or any of their respective Subsidiaries shall make an assignment for the benefit of creditors, or admit in writing its inability to pay or generally fail to pay its debts as they mature or become due, or shall petition or apply for the appointment of a trustee or other custodian, liquidator or receiver of any of BPLP, the Guarantor or any of their respective Subsidiaries or of any substantial part of the properties or assets of any of such parties or shall commence any case or other proceeding relating to any of the BPLP, the Guarantor or any of their respective Subsidiaries under any bankruptcy, reorganization, arrangement, insolvency, readjustment of debt, dissolution or liquidation or similar law of any jurisdiction, now or hereafter in effect, or shall take any action to authorize or in furtherance of any of the foregoing, or if any such petition or application shall be filed or any such case or other proceeding shall be commenced against any of BPLP, the Guarantor or any of their respective Subsidiaries shall indicate its approval thereof, consent thereto or acquiescence therein or (ii) any such petition, application, case or other proceeding shall continue undismissed, or unstayed and in effect, for a period of ninety (90) days, except, with respect solely to such parties other than BPLP and the Guarantor, any of the foregoing constitutes a Non-Material Breach;

(h) a decree or order is entered appointing any trustee, custodian, liquidator or receiver or adjudicating any of BPLP, the Guarantor or any of their respective Subsidiaries bankrupt or insolvent, or approving a petition in any such case or other proceeding, or a decree or order for relief is entered in respect of any of BPLP, the Guarantor or any of their respective Subsidiaries in an involuntary case under federal bankruptcy laws as now or hereafter constituted, except, with respect solely to such parties other than BPLP and the Guarantor, any of the foregoing constitutes a Non-Material Breach;

(i) there shall remain in force, undischarged, unsatisfied and unstayed, for more than thirty (30) days, whether or not consecutive, any uninsured final judgment against any of BPLP, the Guarantor or any of their respective Subsidiaries that, with other outstanding uninsured final judgments, undischarged, unsatisfied and unstayed, against any of such parties exceeds in the aggregate \$10,000,000, except, with respect solely to such parties other than BPLP and the Guarantor, any of the foregoing constitutes a Non-Material Breach;

-72-

(j) any of the Loan Documents or any material provision of any Loan Document shall be canceled, terminated, revoked or rescinded otherwise than in accordance with the terms thereof or with the express prior written agreement, consent or approval of the Agent or the Guaranty shall be canceled, terminated, revoked or rescinded at any time or for any reason whatsoever, or any action at law, suit or in equity or other legal proceeding to make unenforceable, cancel, revoke or rescind any of the Loan Documents shall be commenced by or on behalf of the Borrower or any of its Subsidiaries or the Guarantor or any of its Subsidiaries, or any court or any other governmental or regulatory authority or agency of competent jurisdiction shall make a determination that, or issue a judgment, order, decree or ruling to the effect that, any one or more of the Loan Documents is illegal, invalid or unenforceable as to any material terms thereof;

(k) any "Event of Default" or default (after notice and expiration of any period of grace, to the extent provided, as defined or provided in any of the other Loan Documents, shall occur and be continuing;

(1) with respect to any Guaranteed Pension Plan, an ERISA Reportable Event shall have occurred and the Majority Banks shall have determined in their reasonable discretion that such event reasonably could be expected to result in liability of the Borrower or any of its Subsidiaries or any Guarantor or any of its Subsidiaries to the PBGC or such Guaranteed Pension Plan in an aggregate amount exceeding \$10,000,000 and such event in the circumstances occurring reasonably could constitute grounds for the termination of such Guaranteed Pension Plan by the PBGC or for the appointment by the appropriate United States District Court of a trustee to administer such Guaranteed Pension Plan; or a trustee shall have been appointed by the United States District Court to administer such Plan; or the PBGC shall have instituted proceedings to terminate such Guaranteed Pension Plan;

(m) subject to the Borrower's right to remove Real Estate Assets from the Borrowing Base in accordance with the provisions set forth below in this (S)14, the failure of any of the Real Estate Assets being included from time to time as Borrowing Base Properties to comply with any of the conditions set forth in the definition of Borrowing Base Properties; or

(n) the Guarantor shall at any time fail to be the sole general partner of BPLP;

then, and in any such event, so long as the same may be continuing, the Agent may, and upon the request of the Majority Banks shall, by notice in writing to the Borrower, declare all amounts owing with respect to this Agreement, the Revolving Credit Notes and the other Loan Documents and all Reimbursement Obligations to be, and they shall thereupon forthwith become, immediately due and payable without presentment, demand, protest or other notice of any kind, all of which are hereby expressly waived by the Borrower, the Guarantor and each of their respective

-73-

Subsidiaries; provided that in the event of any Event of Default specified in

(S)14.1(g) or 14.1(h), all such amounts shall become immediately due and payable automatically and without any requirement of notice from any of the Banks or the Agent or action by the Banks or the Agent.

For purposes of this Section 14, the term "Non-Material Breach" shall refer to a breach of any representation, warranty or covenant contained in this Agreement to which the term "Non-Material Breach" is expressly applied herein, but only to the extent such breach does not (A) materially adversely affect the business, properties or financial condition of BPLP, the Guarantor or, taken as a whole, the BP Group or (B) adversely affect the ability of BPLP, the Guarantor or, taken as a whole, the BP Group, to fulfill the Obligations to the Banks and the Agent (including, without limitation, to repay all amounts outstanding on the Loans, together with interest and charges thereon when due).

Notwithstanding the foregoing provisions of this (S)14.1 and in addition to the provisions set forth in the immediately preceding paragraph, in the event of a Default, Event of Default or Non-Material Breach arising as a result of the inclusion of any Real Estate Asset in the Borrowing Base at any particular time of reference, if such Default, Event of Default or Non-Material Breach is capable of being cured by the exclusion of such Real Estate Asset from the Borrowing Base and from all other covenant calculations under (S)10 or otherwise, the Borrower shall be permitted a period not to exceed ten (10) days to submit to the Agent (with copies to the Agent for each Bank) a compliance certificate in the form of Exhibit C-4 hereto evidencing compliance with Section 2.1 and with all of the covenants set forth in (S)10 (with calculations evidencing such compliance after excluding from Borrowing Base Net Operating Income all of the Net Operating Income generated by the Real Estate Asset to be excluded from the Borrowing Base) and with the Borrowing Base Conditions, and otherwise certifying that, after giving effect to the exclusion of such Real Estate Asset from the Borrowing Base, no Default, Event of Default or Non-Material Breach will be continuing.

(S)14.2. Termination of Commitments. If any one or more Events of

Default specified in (S)14.1(g) or (S)14.1(h) shall occur, any unused portion of the Commitments hereunder shall forthwith terminate and the Banks shall be relieved of all obligations to make Loans to the Borrower and the Agent and any Fronting Bank shall be relieved of all further obligations to issue, extend or renew Letters of Credit. If any other Event of Default shall have occurred and be continuing, whether or not the Banks shall have accelerated the maturity of the Loans pursuant to (S)14.1, any Bank may, by notice to the Borrower, terminate the unused portion of that Bank's Commitment hereunder, and upon such notice being given such unused portion of such Commitment shall terminate immediately, such Bank shall be relieved of all further obligations to make Loans, the Agent and any Fronting Bank shall be relieved of all further obligations to issue, extend or renew Letters of Credit and the Total Commitments shall be reduced accordingly. No such termination of a Commitment hereunder shall relieve the Borrower of any of the Obligations or any of its existing obligations to such Bank arising under other agreements or instruments.

-74-

shall have occurred and be continuing, whether or not the Banks shall have accelerated the maturity of the Loans pursuant to (S)14.1, the Majority Banks may direct the Agent to proceed to protect and enforce the rights and remedies the Agent and the Banks under this Agreement, the Revolving Credit Notes, any or all of the other Loan Documents or under applicable law by suit in equity, action at law or other appropriate proceeding (including for the specific performance of any covenant or agreement contained in this Agreement or the other Loan Documents or any instrument pursuant to which the Obligations are evidenced and, to the full extent permitted by applicable law, the obtaining of the ex parte appointment of a receiver), and, if any amount shall have become due, by declaration or otherwise, proceed to enforce the payment thereof or any other legal or equitable right or remedy of the Agent and the Banks under the Loan Documents or applicable law. No remedy herein conferred upon the Banks or the Agent or the holder of any Revolving Credit Note or purchaser of any Letter of Credit Participation is intended to be exclusive of any other remedy and each and every remedy shall be cumulative and shall be in addition to every other remedy given hereunder or under any of the other Loan Documents or now or hereafter existing at law or in equity or by statute or any other provision of law.

(S)15. SETOFF. Neither the Agent nor any of the Banks shall

have any right of set-off or the like with respect to the Obligations against any assets of the Borrower, the Guarantor, their respective Subsidiaries or any Partially-Owned Entity.

(S)16. THE AGENT.

(S)16.1. Authorization. (a) The Agent is authorized to take such

action on behalf of each of the Banks and to exercise all such powers as are hereunder and under any of the other Loan Documents and any related documents delegated to the Agent, together with such powers as are reasonably incident thereto, provided that no duties or responsibilities not expressly assumed

herein or therein shall be implied to have been assumed by the Agent. The relationship between the Agent and the Banks is and shall be that of agent and principal only, and nothing contained in this Agreement or any of the other Loan Documents shall be construed to constitute the Agent as a trustee or fiduciary for any Bank.

(b) The Borrower, without further inquiry or investigation, shall, and is hereby authorized by the Banks to, assume that all actions taken by the Agent hereunder and in connection with or under the Loan Documents are duly authorized by the Banks. The Banks shall notify Borrower of any successor to Agent by a writing signed by Majority Banks, which successor shall be reasonably acceptable to the Borrower so long as no Default or Event of Default has occurred and is continuing. The Borrower acknowledges that any Bank which acquires BankBoston is acceptable as a successor to the Agent.

-75-

execute its duties by or through employees or agents and shall be entitled to take, and to rely on, advice of counsel concerning all matters pertaining to its rights and duties under this Agreement and the other Loan Documents. The Agent may utilize the services of such Persons as the Agent in its sole discretion may reasonably determine, and all reasonable fees and expenses of any such Persons shall be paid by the Borrower.

(S)16.3. No Liability. Neither the Agent, nor any of its

shareholders, directors, officers or employees nor any other Person assisting them in their duties nor any agent or employee thereof, shall be liable for any waiver, consent or approval given or any action taken, or omitted to be taken, in good faith by it or them hereunder or under any of the other Loan Documents, or in connection herewith or therewith, or be responsible for the consequences of any oversight or error of judgment whatsoever, except that the Agent may be liable for losses due to its willful misconduct or gross negligence.

(S)16.4. No Representations. The Agent shall not be responsible for

the execution or validity or enforceability of this Agreement, the Revolving Credit Notes, the Letters of Credit, or any of the other Loan Documents or for the validity, enforceability or collectibility of any such amounts owing with respect to the Revolving Credit Notes, or for any recitals or statements, warranties or representations made herein or in any of the other Loan Documents or in any certificate or instrument hereafter furnished to it by or on behalf of the Guarantor or the Borrower or any of their respective Subsidiaries, or be bound to ascertain or inquire as to the performance or observance of any of the terms, conditions, covenants or agreements in this Agreement or the other Loan Documents. The Agent shall not be bound to ascertain whether any notice, consent, waiver or request delivered to it by the Borrower or the Guarantor or any holder of any of the Revolving Credit Notes shall have been duly authorized or is true, accurate and complete. The Agent has not made nor does it now make any representations or warranties, express or implied, nor does it assume any liability to the Banks, with respect to the credit worthiness or financial condition of the Borrower or any of its Subsidiaries or the Guarantor or any of the Subsidiaries or any tenant under a Lease or any other entity. Each Bank acknowledges that it has, independently and without reliance upon the Agent or any other Bank, and based upon such information and documents as it has deemed appropriate, made its own credit analysis and decision to enter into this Agreement.

(S)16.5. Payments.

(a) A payment by the Borrower to the Agent hereunder or any of the other Loan Documents for the account of any Bank shall constitute a payment to such Bank. The Agent agrees to distribute to each Bank such Bank's pro rata share of payments received by the Agent for the account of the Banks, as provided herein or in any of the other Loan Documents. All such payments shall be made on the date received, if before 1:00 p.m., and if after 1:00 p.m., on the next Business Day. If payment is not made on the day received, the funds shall be invested by the Agent in overnight obligations, and interest thereon paid pro rata to the Banks.

-76-

(b) If in the reasonable opinion of the Agent the distribution of any amount received by it in such capacity hereunder, under the Revolving Credit Notes or under any of the other Loan Documents might involve it in material liability, it may refrain from making distribution until its right to make distribution shall have been adjudicated by a court of competent jurisdiction, provided that the Agent shall invest any such undistributed

amounts in overnight obligations on behalf of the Banks and interest thereon shall be paid pro rata to the Banks. If a court of competent jurisdiction shall

adjudge that any amount received and distributed by the Agent is to be repaid, each Person to whom any such distribution shall have been made shall either repay to the Agent its proportionate share of the amount so adjudged to be repaid or shall pay over the same in such manner and to such Persons as shall be determined by such court.

(c) Notwithstanding anything to the contrary contained in this Agreement or any of the other Loan Documents, any Bank that fails (i) to make available to the Agent its pro rata share of any Loan or to purchase any Letter of Credit Participation or (ii) to adjust promptly such Bank's outstanding principal and its pro rata Commitment Percentage as provided

in (S)2.1, shall be deemed delinquent (a "Delinquent Bank") and shall be deemed a Delinquent Bank until such time as such delinquency is satisfied. A Delinquent Bank shall be deemed to have assigned any and all payments due to it from the Borrower, whether on account of outstanding Loans, interest, fees or otherwise, to the remaining nondelinquent Banks for application to, and reduction of, their respective pro rata shares of all outstanding Loans. The Delinquent Bank hereby

authorizes the Agent to distribute such payments to the nondelinquent Banks in proportion to their respective pro rata shares of all outstanding Loans. If not

previously satisfied directly by the Delinquent Bank, a Delinquent Bank shall be deemed to have satisfied in full a delinquency when and if, as a result of application of the assigned payments to all outstanding Loans of the nondelinquent Banks, the Banks' respective pro rata shares of all outstanding

Loans have returned to those in effect immediately prior to such delinquency and without giving effect to the nonpayment causing such delinquency.

(S)16.6. Holders of Revolving Credit Notes. The Agent may deem and

treat the payee of any Revolving Credit Notes or the purchaser of any Letter of Credit Participation as the absolute owner or purchaser thereof for all purposes hereof until it shall have been furnished in writing with a different name by such payee or by a subsequent holder, assignee or transferee.

(S)16.7. Indemnity. The Banks ratably and severally agree hereby to

indemnify and hold harmless the Agent and its Affiliates from and against any and all claims, actions and suits (whether groundless or otherwise), losses, damages, costs, expenses (including any expenses for which the Agent has not been reimbursed by the Borrower as required by (S)17), and liabilities of every nature and character arising out of or related to this Agreement, the Revolving Credit Notes, or any of the other Loan Documents or the transactions contemplated or evidenced hereby or thereby, or the Agent's actions taken hereunder or thereunder, except to the extent that any of the same shall be directly caused by the Agent's willful misconduct or gross negligence.

-77-

(S)16.8. Agent as Bank. In its individual capacity as a Bank,

BankBoston shall have the same obligations and the same rights, powers and privileges in respect to its Commitment and the Loans made by it, and as the holder of any of the Revolving Credit Notes and as the purchaser of any Letter of Credit Participations, as it would have were it not also the Agent.

(S)16.9. Notification of Defaults and Events of Default. Each Bank

hereby agrees that, upon learning of the existence of a Default or an Event of Default, it shall (to the extent notice has not previously been provided) promptly notify the Agent thereof. The Agent hereby agrees that upon receipt of any notice under this (S)16.9 it shall promptly notify the other Banks of the existence of such Default or Event of Default.

(S)16.10. Duties in the Case of Enforcement. In case one or more

Events of Default have occurred and shall be continuing, and whether or not acceleration of the Obligations shall have occurred, the Agent shall, if (a) so requested by the Majority Banks and (b) the Banks have provided to the Agent such additional indemnities and assurances against expenses and liabilities as the Agent may reasonably request, proceed to enforce the provisions of this Agreement and exercise all or any such other legal and equitable and other rights or remedies as it may have in respect of enforcement of the Banks' rights against the Borrower, the Guarantor and their respective Subsidiaries under this Agreement and the other Loan Documents. The Majority Banks may direct the Agent in writing as to the method and the extent of any such enforcement, the Banks (including any Bank which is not one of the Majority Banks) hereby agreeing to ratably and severally indemnify and hold the Agent harmless from all liabilities incurred in respect of all actions taken or omitted in accordance with such directions, provided that the Agent need not comply with any such direction to the extent that the Agent reasonably believes the Agent's compliance with such direction to be unlawful or commercially unreasonable in any applicable jurisdiction.

(S)16.11. Successor Agent. BankBoston, or any successor Agent, may

resign as Agent at any time by giving written notice thereof to the Banks and to the Borrower. The Majority Banks may remove the Agent in the event of the Agent's willful misconduct or gross negligence or in the event that the Agent ceases to hold a Commitment under this Agreement. In addition, the Borrower may remove the Agent in the event that the Agent holds (without participation) less than the Minimum Commitment, provided that if the Agent holds less than the

Minimum Commitment at any time as a result of the merger or consolidation of any of the other Banks or as a result of events other than the sale by the Agent of any portion of its Commitment, the Agent shall have a period of ninety (90) days after its failure to hold at least the Minimum Commitment to cure such failure. Any such resignation or removal shall be effective upon appointment and acceptance of a successor Agent, as hereinafter provided. Upon any such resignation or removal, the Majority Banks shall have the right to appoint a successor Agent, which is a Bank under this Agreement and which holds at least the Minimum Commitment, provided that so long as no Default or Event of Default

has occurred and is continuing the Borrower shall have the right to approve any successor Agent, which approval shall not be unreasonably withheld. If, in the case of a resignation by the Agent, no successor Agent shall have

-78-

been so appointed by the Majority Banks and approved by the Borrower, and shall have accepted such appointment, within thirty (30) days after the retiring Agent's giving of notice of resignation, then the retiring Agent may, on behalf of the Banks, appoint any one of the other Banks as a successor Agent. The Borrower acknowledges that any Bank which acquires BankBoston is acceptable as a successor Agent. Upon the acceptance of any appointment as Agent hereunder by a successor Agent, such successor Agent shall thereupon succeed to and become vested with all the rights, powers, privileges and duties of the retiring or removed Agent, and the retiring or removed Agent shall be discharged from all further duties and obligations as Agent under this Agreement. After any Agent's resignation or removal hereunder as Agent, the provisions of this (S)16 shall inure to its benefit as to any actions taken or omitted to be taken by it while it was Agent under this Agreement. The Agent agrees that it shall not assign any of its rights or duties as Agent to any other Person.

(S)16.12. Notices. Any notices or other information required

hereunder to be provided to the Agent (with copies to the Agent for each Bank) shall be forwarded by the Agent to each of the Banks on the same day (if practicable) and, in any case, on the next Business Day following the Agent's receipt thereof

(S)17. EXPENSES. The Borrower agrees to pay (a) the reasonable costs

of producing and reproducing this Agreement, the other Loan Documents and the other agreements and instruments mentioned herein, (b) the reasonable fees, expenses and disbursements of the Agent's outside counsel or any local counsel to the Agent incurred in connection with the preparation, administration or interpretation of the Loan Documents and other instruments mentioned herein, each closing hereunder, and amendments, modifications, approvals, consents or waivers hereto or hereunder, (c) the fees, expenses and disbursements of the Agent incurred by the Agent in connection with the preparation, administration or interpretation of the Loan Documents and other instruments mentioned herein, including, without limitation, the costs incurred by the Agent in connection with its inspection of the Borrowing Base Properties (subject to (S)12.14), and, without double-counting amounts under clause (b) above, the fees and disbursements of the Agent's counsel in preparing the documentation, (d) the fees, costs, expenses and disbursements of the Agent and its Affiliates incurred (whether occurring before or after the closing hereunder), including, without limitation, reasonable legal fees, travel costs, costs of preparing syndication materials and photocopying costs, provided that the Borrower shall not incur any costs or fees of any kind in connection with any participation, sale or other syndication of any portion of the Loans which occurs after the initial syndication other than reasonable legal fees and expenses incurred in connection with any participation, sale or syndication undertaken at the request of the Borrower or (in addition to any other fees or expenses relating thereto) in connection with an amendment or increase to the amount of the Total Commitment, (e) all reasonable expenses (including reasonable attorneys' fees and costs, which attorneys may be employees of any Bank or the Agent, and the fees and costs of engineers, investment bankers, or other experts retained by any Bank or the Agent in connection with any such enforcement proceedings) incurred by any Bank or the Agent in connection with (i) the

-79-

enforcement of or preservation of rights under any of the Loan Documents against the Borrower or any of its Subsidiaries or the Guarantor or the administration thereof after the occurrence and during the continuance of a Default or Event of Default (including, without limitation, expenses incurred in any restructuring and/or "workout" of the Loans), and (ii) any litigation, proceeding or dispute whether arising hereunder or otherwise, in any way related to any Bank's or the Agent's relationship with the Borrower or any of its Subsidiaries or the Guarantor, (f) all reasonable fees, expenses and disbursements of the Agent incurred in connection with UCC searches, UCC terminations or mortgage discharges, and (g) all costs incurred by the Agent in the future in connection with its inspection of the Borrowing Base Properties, provided that prior to the

occurrence of an Event of Default, the Borrower shall not be required to pay for more than one inspection of each Borrowing Base Property per year. The covenants of this (S)17 shall survive payment or satisfaction of payment of amounts owing with respect to the Revolving Credit Notes.

(S)18. INDEMNIFICATION. The Borrower agrees to indemnify and hold

harmless the Agent and each of the Banks and the shareholders, directors, agents, officers, subsidiaries and affiliates of the Agent and each of the Banks from and against any and all claims, actions and suits, whether groundless or otherwise, and from and against any and all liabilities, losses, settlement payments, obligations, damages and expenses of every nature and character in connection therewith, arising out of this Agreement or any of the other Loan Documents or the transactions contemplated hereby or thereby or which otherwise arise in connection with the financing, including, without limitation, (a) any actual or proposed use by the Borrower or any of its Subsidiaries of the proceeds of any of the Loans, (b) the Borrower or any of its Subsidiaries or the Guarantor entering into or performing this Agreement or any of the other Loan Documents, or (c) pursuant to (S)8.17 hereof, in each case including, without limitation, the reasonable fees and disbursements of counsel and allocated costs of internal counsel incurred in connection with any such investigation, litigation or other proceeding, provided, however, that the Borrower shall not

be obligated under this (S)18 to indemnify any Person for liabilities arising from such Person's own gross negligence, willful misconduct or breach of this Agreement. In litigation, or the preparation therefor, the Borrower shall be entitled to select counsel reasonably acceptable to the Majority Banks, and the Agent (as approved by the Majority Banks) shall be entitled to select their own supervisory counsel, and, in addition to the foregoing indemnity, the Borrower agrees to pay promptly the reasonable fees and expenses of each such counsel. Prior to any settlement of any such litigation by the Banks, the Banks shall provide the Borrower and the Guarantor with notice and an opportunity to address any of their concerns with the Banks, and the Banks shall not settle any litigation without first obtaining Borrower's consent thereto, which consent shall not be unreasonably withheld or delayed. If and to the extent that the obligations of the Borrower under this (S)18 are unenforceable for any reason, the Borrower hereby agrees to make the maximum contribution to the payment in satisfaction of such obligations which is permissible under applicable law. The provisions of this (S)18 shall survive the repayment of the Loan and the termination of the obligations of the Banks hereunder and shall continue in full force and effect as long as the possibility of any such claim, action, cause of action or suit exists.

- 80 -

representations and warranties made herein, in the Revolving Credit Notes, in any of the other Loan Documents or in any documents or other papers delivered by or on behalf of the Borrower or any of its Subsidiaries or the Guarantor pursuant hereto shall be deemed to have been relied upon by the Banks and the Agent, notwithstanding any investigation heretofore or hereafter made by any of them, and shall survive the making by the Banks of any of the Loans and the issuance, extension or renewal of any Letters of Credit, as herein contemplated, and shall continue in full force and effect so long as any Letter of Credit or any amount due under this Agreement or the Revolving Credit Notes or any of the other Loan Documents remains outstanding or any Bank has any obligation to make any Loans or the Agent or any Fronting Bank has any obligation to issue, extend or renew any Letter of Credit. The indemnification obligations of the Borrower provided herein and in the other Loan Documents shall survive the full repayment of amounts due and the termination of the obligations of the Banks hereunder and thereunder to the extent provided herein and therein. All statements contained in any certificate or other paper delivered to any Bank or the Agent at any time by or on behalf of the Borrower or any of its Subsidiaries or the Guarantor pursuant hereto or in connection with the transactions contemplated hereby shall constitute representations and warranties by the Borrower or such Subsidiary or the Guarantor hereunder.

(S)20. ASSIGNMENT; PARTICIPATIONS; ETC.

(S)20.1. Conditions to Assignment by Banks. Except as provided

herein, each Bank may assign to one or more Eligible Assignees all or a portion of its interests, rights and obligations under this Agreement (including all or a portion of its Commitment Percentage and Commitment and the same portion of the Loans at the time owing to it, the Revolving Credit Notes held by it and its participating interest in the risk relating to any Letters of Credit); provided

that (a) the Agent and the Borrower each shall have the right to approve any Eligible Assignee, which approval shall not be unreasonably withheld or delayed, it being agreed that the Agent and the Borrower must approve or reject a proposed Eligible Assignee within seven (7) days of receiving a written request from any Bank for such approval (provided that the request for approval, and the

envelope in which it is delivered, is conspicuously marked with the following legend: "REQUEST FOR APPROVAL -- TIME SENSITIVE -- MUST RESPOND WITHIN SEVEN (7) DAYS") and if the Agent or the Borrower fails to respond within such seven (7) day period, such request for approval shall be deemed approved by the Agent or the Borrower, or both, as the case may be, (b) each such assignment shall be of a constant, and not a varying, percentage of all the assigning Bank's rights and obligations under this Agreement, (c) subject to the provisions of (S)2.7 hereof, each Bank shall have at all times an amount of its Commitment of not less than \$10,000,000 and (d) the parties to such assignment shall execute and deliver to the Agent, for recording in the Register (as hereinafter defined), an assignment and assumption, substantially in the form of Exhibit F hereto (an

"Assignment and Assumption"), together with any Revolving Credit Notes subject to such assignment. Upon such execution, delivery, acceptance and recording, from and after the effective date specified in each Assignment and Assumption, which

-81-

which effective date shall be at least two (2) Business Days after the execution thereof unless otherwise agreed by the Agent (provided any assignee has assumed the obligation to fund any outstanding Eurodollar Rate Loans), (i) the assignee thereunder shall be a party hereto and, to the extent provided in such Assignment and Assumption, have the rights and obligations of a Bank hereunder and thereunder, and (ii) the assigning Bank shall, to the extent provided in such assignment and upon payment to the Agent of the registration fee referred to in (S)20.3, be released from its obligations under this Agreement. Any such Assignment and Assumption shall run to the benefit of the Borrower and a copy of any such Assignment and Assumption shall be delivered by the Assignor to the Borrower.

(S)20.2. Certain Representations and Warranties; Limitations;

Covenants. By executing and delivering an Assignment and Assumption, the parties

to the assignment thereunder confirm to and agree with each other and the other parties hereto as follows: (a) other than the representation and warranty that it is the legal and beneficial owner of the interest being assigned thereby free and clear of any adverse claim, the assigning Bank makes no representation or warranty and assumes no responsibility with respect to any statements, warranties or representations made in or in connection with this Agreement or the execution, legality, validity, enforceability, genuineness, sufficiency or value of this Agreement, the other Loan Documents or any other instrument or document furnished pursuant hereto; (b) the assigning Bank makes no representation or warranty and assumes no responsibility with respect to the financial condition of the Borrower and its Subsidiaries or the Guarantor or any other Person primarily or secondarily liable in respect of any of the Obligations, or the performance or observance by the Borrower and its Subsidiaries or the Guarantor or any other Person primarily or secondarily liable in respect of any of the Obligations of any of their obligations under this Agreement or any of the other Loan Documents or any other instrument or document furnished pursuant hereto or thereto; (c) such assignee confirms that it has received a copy of this Agreement, together with copies of the most recent financial statements referred to in (S)7.4 and (S)8.4 and such other documents and information as it has deemed appropriate to make its own credit analysis and decision to enter into such Assignment and Assumption; (d) such assignee will, independently and without reliance upon the assigning Bank, the Agent or any other Bank and based on such documents and information as it shall deem appropriate at the time, continue to make its own credit decisions in taking or not taking action under this Agreement; (e) such assignee represents and warrants that it is an Eligible Assignee; (f) such assignee appoints and authorizes the Agent to take such action as agent on its behalf and to exercise such powers under this Agreement and the other Loan Documents as are delegated to the Agent by the terms hereof or thereof, together with such powers as are reasonably incidental thereto; (g) such assignee agrees that it will perform in accordance with their terms all of the obligations that by the terms of this Agreement are required to be performed by it as a Bank; (h) such assignee represents and warrants that it is legally authorized to enter into such Assignment and Assumption; and (i) such assignee acknowledges that it has made arrangements with the assigning Bank satisfactory to such assignee with respect to its pro rata share of Letter of Credit Fees in respect of outstanding Letters of Credit.

-82-

(S)20.3. Register. The Agent shall maintain a copy of each

Assignment and Assumption delivered to it and a register or similar list (the "Register") for the recordation of the names and addresses of the Banks and the Commitment Percentages of, and principal amount of the Loans owing to, the Banks from time to time. The entries in the Register shall be conclusive, in the absence of manifest error, and the Borrower, the Agent and the Banks may treat each Person whose name is recorded in the Register as a Bank hereunder for all purposes of this Agreement. The Register shall be available for inspection by the Borrower and the Banks at any reasonable time and from time to time upon reasonable prior notice. Upon each such recordation, the assigning Bank agrees to pay to the Agent a registration fee in the sum of \$2,500.

(S)20.4. New Revolving Credit Notes. Upon its receipt of an

Assignment and Assumption executed by the parties to such assignment, together with each Revolving Credit Note subject to such assignment, the Agent shall (a) record the information contained therein in the Register, and (b) give prompt notice thereof to the Borrower and the Banks (other than the assigning Bank). Unless done simultaneously with the Assignment and Assumption, within two (2) Business Days after receipt of such notice, the Borrower, at its own expense, (i) shall execute and deliver to the Agent, in exchange for each surrendered Revolving Credit Note, a new Revolving Credit Note to the order of such Eligible Assignee in an amount equal to the amount assumed by such Eligible Assignee pursuant to such Assignment and Assumption and, if the assigning Bank has retained some portion of its obligations hereunder, a new Revolving Credit Note to the order of the assigning Bank in an amount equal to the amount retained by it hereunder and (ii) shall deliver an opinion from counsel to the Borrower in substantially the form delivered on the Closing Date pursuant to (S)12.9 as to such new Revolving Credit Notes. Such new Revolving Credit Notes shall provide that they are replacements for the surrendered Revolving Credit Notes, shall be in an aggregate principal amount equal to the aggregate principal amount of the surrendered Revolving Credit Notes, shall be dated the effective date of such Assignment and Assumption and shall otherwise be in substantially the form of the assigned Revolving Credit Notes. The surrendered Revolving Credit Notes shall be canceled and returned to the Borrower.

(S)20.5. Participations. Each Bank may sell participations to one

or more banks or other entities in all or a portion of such Bank's rights and obligations under this Agreement and the other Loan Documents; provided that (a) each such participation shall be in an amount of not less than \$10,000,000, (b) any such sale or participation shall not affect the rights and duties of the selling Bank hereunder to the Borrower and the Agent and the Bank shall continue to exercise all approvals, disapprovals and other functions of a Bank, (c) the only rights granted to the participant pursuant to such participation arrangements with respect to waivers, amendments or modifications of, or approvals under, the Loan Documents shall be the rights to approve waivers, amendments or modifications that would reduce the principal of or the interest rate on any Loans, extend the term or increase the amount of the Commitment of such Bank as it relates to such participant, reduce the amount of any fees to which such participant is entitled or extend any regularly scheduled payment date for principal or interest, and (d) no participant shall

-83-

have the right to grant further participations or assign its rights, obligations or interests under such participation to other Persons without the prior written consent of the Agent.

(S)20.6. Pledge by Lender. Notwithstanding any other provision of

this Agreement, any Bank at no cost to the Borrower may at any time pledge all or any portion of its interest and rights under this Agreement (including all or any portion of its Revolving Credit Notes) to any of the twelve Federal Reserve Banks organized under (S)4 of the Federal Reserve Act, 12 U.S.C. (S)341. No such pledge or the enforcement thereof shall release the pledgor Bank from its obligations hereunder or under any of the other Loan Documents.

(S)20.7. No Assignment by Borrower. The Borrower shall not assign

or transfer any of its rights or obligations under any of the Loan Documents without prior Unanimous Bank Approval.

(S)20.8. Disclosure. The Borrower agrees that, in addition to

disclosures made in accordance with standard banking practices, any Bank may disclose information obtained by such Bank pursuant to this Agreement to assignees or participants and potential assignees or participants hereunder. Any such disclosed information shall be treated by any assignee or participant with the same standard of confidentiality set forth in (S)8.10 hereof.

(S)20.9. Syndication. The Borrower acknowledges that each of the

Agent and the Arranger intends, and shall have the right, by itself or through its Affiliates, to syndicate or enter into co-lending arrangements with respect to the Loans and the Total Commitment pursuant to this (S)20, and the Borrower agrees to cooperate with the Agent's and the Arranger's and their Affiliate's syndication and/or co-lending efforts, such cooperation to include, without limitation, the provision of information reasonably requested by potential syndicate members.

(S)21. NOTICES, ETC. Except as otherwise expressly provided in

this Agreement, all notices and other communications made or required to be given pursuant to this Agreement or the Revolving Credit Notes or any Letter of Credit Applications shall be in writing and shall be delivered in hand, mailed by United States registered or certified first class mail, postage prepaid, sent by overnight courier, or sent by facsimile and confirmed by delivery via courier or postal service, addressed as follows:

(a) if to the Borrower or any Guarantor, at Boston Properties, Inc., 8 Arlington Street, Boston, Massachusetts 02116, Attention: Mr. Edward H. Linde, President and Chief Executive Officer, with a copy to the General Counsel of BPLP at the address for the Borrower set forth above and to Ross D. Gillman, Esq., Goodwin, Procter & Hoar LLP, Exchange Place, Boston, Massachusetts 02109, or to such other address for notice as the Borrower or any Guarantor shall have last furnished in writing to the Agent;

-84-

(b) if to the Agent, to the Real Estate Finance Department at 100 Federal Street, Boston, Massachusetts 02110, with a copy to Robert C. Avil, Vice President, BankBoston, N.A., 115 Perimeter Center Place, Suite 500, Atlanta, Georgia 30346, or such other address for notice as the Agent shall have last furnished in writing to the Borrower, with a copy to Michael J. Haroz, Esq., Goulston & Storrs, 400 Atlantic Avenue, Boston, Massachusetts 02110-3333, or at such other address for notice as the Agent shall last have furnished in writing to the Person giving the notice; and

(c) if to any Bank, at such Bank's address set forth on

Schedule 1.3 hereto, or such other address for notice as such Bank shall have - -----last furnished in writing to the Person giving the notice.

Any such notice or demand shall be deemed to have been duly given or made and to have become effective (i) if delivered by hand, overnight courier, or facsimile to the party to which it is directed, at the time of the receipt thereof by such party or the sending of such facsimile and (ii) if sent by registered or certified first-class mail, postage prepaid, on the third Business Day following the mailing thereof.

(S)22. BPLP AS AGENT FOR THE BORROWERS. Each Borrower (other

than BPLP) hereby appoints BPLP as its agent with respect to the receiving and giving of any notices, requests, instructions, reports, certificates (including, without limitation, compliance certificates), schedules, revisions, financial statements or any other written or oral communications hereunder. The Agent and each Bank is hereby entitled to rely on any communications given or transmitted by BPLP as if such communication were given or transmitted by each and every Borrower; provided however, that any communication given or transmitted by any Borrower other than BPLP shall be binding with respect to such Borrower. Any communication given and transmitted to each and every Borrower.

(S)23. GOVERNING LAW; CONSENT TO JURISDICTION AND SERVICE. THIS

AGREEMENT AND EACH OF THE OTHER LOAN DOCUMENTS, EXCEPT AS OTHERWISE SPECIFICALLY PROVIDED THEREIN, ARE CONTRACTS UNDER THE LAWS OF THE COMMONWEALTH OF MASSACHUSETTS AND SHALL FOR ALL PURPOSES BE CONSTRUED IN ACCORDANCE WITH AND GOVERNED BY THE LAWS OF SUCH COMMONWEALTH (EXCLUDING THE LAWS APPLICABLE TO CONFLICTS OR CHOICE OF LAW). EACH OF THE BORROWER AND THE GUARANTOR AND THEIR RESPECTIVE SUBSIDIARIES AGREES THAT ANY SUIT FOR THE ENFORCEMENT OF THIS AGREEMENT OR ANY OF THE OTHER LOAN DOCUMENTS MAY BE BROUGHT IN THE COURTS OF THE COMMONWEALTH OF MASSACHUSETTS SITTING IN SUFFOLK COUNTY OR ANY FEDERAL COURT SITTING IN THE EASTERN DISTRICT OF MASSACHUSETTS AND CONSENTS TO THE NON-EXCLUSIVE JURISDICTION OF SUCH COURTS AND THE SURVICE OF PROCESS IN ANY SUCH SUIT BEING MADE UPON THE BORROWER OR THE GUARANTOR AND THEIR RESPECTIVE SUBSIDIARIES BY MAIL AT THE ADDRESS SPECIFIED IN (S)21. THE BORROWER AND THE GUARANTOR AND THEIR RESPECTIVE

-85-

SUBSIDIARIES HEREBY WAIVE ANY OBJECTION THAT ANY OF THEM MAY NOW OR HEREAFTER HAVE TO THE VENUE OF ANY SUCH SUIT OR ANY SUCH COURT OR THAT SUCH SUIT IS BROUGHT IN AN INCONVENIENT COURT.

(S)24. HEADINGS. The captions in this Agreement are for

convenience of reference only and shall not define or limit the provisions hereof.

(S)25. COUNTERPARTS. This Agreement and any amendment hereof may

be executed in several counterparts and by each party on a separate counterpart, each of which when so executed and delivered shall be an original, and all of which together shall constitute one instrument. In proving this Agreement it shall not be necessary to produce or account for more than one such counterpart signed by the party against whom enforcement is sought.

(S)26. ENTIRE AGREEMENT, ETC. The Loan Documents and any other

documents executed in connection herewith or therewith express the entire understanding of the parties with respect to the transactions contemplated hereby. Neither this Agreement nor any term hereof may be changed, waived, discharged or terminated, except as provided in (S)27.

(S)27. WAIVER OF JURY TRIAL AND CERTAIN DAMAGE CLAIMS. EXCEPT TO

THE EXTENT EXPRESSLY PROHIBITED BY LAW, THE BORROWER AND THE GUARANTOR AND THEIR RESPECTIVE SUBSIDIARIES HEREBY WAIVE THEIR RESPECTIVE RIGHTS TO A JURY TRIAL WITH RESPECT TO ANY ACTION OR CLAIM ARISING OUT OF ANY DISPUTE IN CONNECTION WITH THIS AGREEMENT, THE REVOLVING CREDIT NOTES OR ANY OF THE OTHER LOAN DOCUMENTS, ANY RIGHTS OR OBLIGATIONS HEREUNDER OR THEREUNDER OR THE PERFORMANCE OF SUCH RIGHTS AND OBLIGATIONS. EXCEPT TO THE EXTENT EXPRESSLY PROHIBITED BY LAW, THE BORROWER AND THE GUARANTOR AND THEIR RESPECTIVE SUBSIDIARIES HEREBY WAIVE ANY RIGHT ANY OF THEM MAY HAVE TO CLAIM OR RECOVER IN ANY LITIGATION REFERRED TO IN THE PRECEDING SENTENCE ANY SPECIAL, EXEMPLARY, PUNITIVE OR CONSEQUENTIAL DAMAGES OR ANY DAMAGES OTHER THAN, OR IN ADDITION TO, ACTUAL DAMAGES, INCLUDING ANY DAMAGES PURSUANT TO M.G.L. C. 93A ET SEQ. EACH OF THE BORROWER AND THE GUARANTOR AND THEIR RESPECTIVE SUBSIDIARIES (A) CERTIFIES THAT NO REPRESENTATIVE, AGENT OR ATTORNEY OF ANY BANK OR THE AGENT HAS REPRESENTED, EXPRESSLY OR OTHERWISE, THAT SUCH BANK OR THE AGENT WOULD NOT, IN THE EVENT OF LITIGATION, SEEK TO ENFORCE THE FOREGOING WAIVERS AND (B) ACKNOWLEDGE THAT THE AGENT AND THE BANKS HAVE BEEN INDUCED TO ENTER INTO THIS AGREEMENT AND THE OTHER LOAN DOCUMENTS TO WHICH THEY ARE PARTIES BY, AMONG OTHER THINGS, THE WAIVERS AND CERTIFICATIONS CONTAINED HEREIN.

-86-

expressly provided in this Agreement, any consent or approval required or permitted by this Agreement may be given, and any term of this Agreement or of any of the other Loan Documents may be amended, and the performance or observance by the Borrower or the Guarantor or any of their respective Subsidiaries of any terms of this Agreement or the other Loan Documents or the continuance of any Default or Event of Default may be waived (either generally or in a particular instance and either retroactively or prospectively) with, but only with, the written consent of the Majority Banks.

Notwithstanding the foregoing, Unanimous Bank Approval shall be required for any amendment, modification or waiver of this Agreement that:

(i) reduces or forgives any principal of any unpaid Loan or any interest thereon (including any interest "breakage" costs) or any fees due any Bank hereunder, or permits any prepayment not otherwise permitted hereunder; or

(ii) changes the unpaid principal amount of, or the rate of interest on, any Loan; or

(iii) changes the date fixed for any payment of principal of or interest on any Loan (including, without limitation, any extension of the Maturity Date) or any fees payable hereunder; or

(iv) changes the amount of any Bank's Commitment (other than pursuant to an assignment permitted under (S)20.1 hereof) or increases the amount of the Total Commitment; or

(v) modifies any provision herein or in any other Loan Document which by the terms thereof expressly requires Unanimous Bank Approval: or

(vi) changes the definitions of Majority Banks, Required Banks or Unanimous Bank Approval. No waiver shall extend to or affect any obligation not expressly waived or impair any right consequent thereon. No course of dealing or delay or omission on the part of the Agent or the Banks or any Bank in exercising any right shall operate as a waiver thereof or otherwise be prejudicial to such right or any other rights of the Agent or the Banks. No notice to or demand upon the Borrower shall entitle the Borrower to other or further notice or demand in similar or other circumstances.

Notwithstanding the foregoing, the Required Banks shall be required for any amendment, modification or waiver of this agreement that:

- 87 -

(i) amends any of the covenants contained in (S)10.1 through (S)10.7, inclusive, hereof, or

(ii) amends any of the provisions governing funding contained in (S)2 hereof, or

(iii) changes the rights, duties or obligations of the Agent specified in (S)16 hereof (provided that no amendment or modification to such (S)16 or to the fee payable to the Agent under this Agreement may be made without the prior written consent of the Agent).

(S)29. SEVERABILITY. The provisions of this Agreement are

severable, and if any one clause or provision hereof shall be held invalid or unenforceable in whole or in part in any jurisdiction, then such invalidity or unenforceability shall affect only such clause or provision, or part thereof, in such jurisdiction, and shall not in any manner affect such clause or provision in any other jurisdiction, or any other clause or provision of this Agreement in any jurisdiction.

(Remainder of page intentionally left blank)

-88-

IN WITNESS WHEREOF, the undersigned have duly executed this Agreement as a sealed instrument as of the date first set forth above.

BANKBOSTON, N.A. individually and as Agent

By: ______ Name: Robert C. Avil Title: Vice President

(Signatures continued on next pages)

-89-

8 Arlington Street*
THE ATLANTIC MONTHLY TRUST
By: Mortimer B. Zuckerman, as Trustee and not individually
32 Hartwell Avenue, Lexington, MA
MBZ-LEX TRUST
By: Mortimer B. Zuckerman, as Trustee and not individually
By: Edward H. Linde, as Trustee and not individually
Waltham Office Center, Waltham, MA
ZEE EM TRUST II
By: Mortimer B. Zuckerman, as Trustee and not individually
By: Edward H. Linde, as Trustee and not individually

(Signatures continued on next page)

* The designation of the specific Real Estate Asset or Assets owned by any signatory to this Agreement or any other Loan Document is for informational purposes only and does not in any way limit the joint and several liability of each Borrower, for so long as it is a Borrower, for the Obligations.

-90-

204 Second Avenue, Waltham, MA

WP TRUST

By:______ Edward H. Linde, as Trustee and not individually

170 Tracer Lane, Waltham, MA

TRACER LANE TRUST

- By:______ Edward H. Linde, as Trustee and not individually
- By:______ Mortimer B. Zuckerman, as Trustee and not individually

33 Hayden Avenue, Lexington, MA

HAYDEN OFFICE TRUST

By:__

Edward H. Linde, as Trustee and not individually

By:_

Mortimer B. Zuckerman, as Trustee and not individually

(Signatures continued on next page)

-91-

Lexington Office Park, 420-430 Bedford Street, Lexington, MA - - - - - -

ELANDZEE TRUST

By:_ Mortimer B. Zuckerman, as Trustee and not individually

By:______ Edward H. Linde, as Trustee and not individually

40-46 Harvard Street, Westwood, MA

40-46 HARVARD STREET TRUST

By:__ Mortimer B. Zuckerman, as Trustee and not individually

By:_

Edward H. Linde, as Trustee and not individually

17 Hartwell Avenue, Lexington, MA

ZEE BEE TRUST II

By:_

Mortimer B. Zuckerman, as Trustee and not individually

(Signatures continued on next page)

-92-

One Cambridge Center, Cambridge, MA

ONE CAMBRIDGE CENTER TRUST

By:____

Mortimer B. Zuckerman, as Trustee and not individually

By:______ David Barrett, as Trustee and not individually

By: Edward H. Linde, as Trustee and not individually

Three Cambridge Center, Cambridge, MA

THREE CAMBRIDGE CENTER TRUST

By:______ Mortimer B. Zuckerman, as Trustee and not individually

By:_____ David Barrett, as Trustee and not individually

By:_

Edward H. Linde, as Trustee and not individually

(Signatures continued on next page)

-93-

Eleven Cambridge Center, Cambridge, MA

ELEVEN CAMBRIDGE CENTER TRUST

By:_

Mortimer B. Zuckerman, as Trustee and not individually

By:_____ David Barrett, as Trustee and not individually

By:_ Edward H. Linde, as Trustee and not individually

Fourteen Cambridge Center, Cambridge, MA

FOURTEEN CAMBRIDGE CENTER TRUST

By:_

Mortimer B. Zuckerman, as Trustee and not individually

By:_____ David Barrett, as Trustee and not individually

By:_

Edward H. Linde, as Trustee and not individually

(Signatures continued on next page)

-94-

500 E Street, S.W., Washington, D.C.

SCHOOL STREET ASSOCIATES LIMITED PARTNERSHIP

By: Boston Properties LLC, its sole general partner

- By: Boston Properties Limited Partnership, its managing member
 - By: Boston Properties, Inc., its general partner

By:_____(SEAL) Edward H. Linde President and Chief Executive Officer

Democracy Center, Bethesda, MD

DEMOCRACY ASSOCIATES LIMITED PARTNERSHIP

- By: Boston Properties LLC, its general partner
 - By: Boston Properties Limited Partnership, its managing member

By: Boston Properties, Inc., its general partner

By:_____(SEAL) Edward H. Linde President and Chief Executive Officer

(Signatures continued on next page)

-95-

1950 Stanford Court, Building One (MD 1), Landover, MD MARYLAND 50 BUILDING I ASSOCIATES LIMITED PARTNERSHIP

By: Boston Properties LLC, its general partner

By: Boston Properties Limited Partnership, its managing member

By: Boston Properties, Inc., its general partner

By:_____(SEAL) Edward H. Linde President and Chief Executive Officer

6201 Columbia Park Road, Building Two (MD2), Landover, MD

MARYLAND 50 BUILDING II ASSOCIATES LIMITED PARTNERSHIP

By: Boston Properties LLC, its general partner

By: Boston Properties Limited Partnership, its managing member

By: Boston Properties, Inc., its general partner

By:_____(SEAL) Edward H. Linde President and Chief Executive Officer

(Signatures continued on next page)

-96-

2000 South Club Drive, Building Three (MD3), Landover, MD

MARYLAND 50 BUILDING III ASSOCIATES LIMITED PARTNERSHIP

By: Boston Properties LLC, its general partner

By: Boston Properties Limited Partnership, its managing member

By: Boston Properties, Inc., its general partner

By:_____(SEAL) Edward H. Linde President and Chief Executive Officer

Long Wharf Marriott, Boston, MA

DOWNTOWN BOSTON PROPERTIES TRUST

By:______ Edward H. Linde, as Trustee and not individually

By:_

Mortimer B. Zuckerman, as Trustee and not individually

(Signatures continued on next page)

-97-

Cambridge Center Marriott, Cambridge, MA - - - - - - -TWO CAMBRIDGE CENTER TRUST By:_ Mortimer B. Zuckerman, as Trustee and not individually By:___ Edward H. Linde, as Trustee and not individually By:_ David Barrett, as Trustee and not individually 195 West Street, Waltham, MA 25-33 Dartmouth Street, Westwood, MA 7435 Boston Boulevard, Building One, Springfield, VA 7451 Boston Boulevard, Building Two, Springfield, VA 7374 Boston Boulevard, Building Four, Springfield, VA 8000 Grainger Court, Building Five, Springfield, VA 7500 Boulevard, Building Six, Springfield, VA 7501 Boston Boulevard, Building Seven, Springfield, VA

7601 Boston Boulevard, Building Eight, Springfield, VA

(Signatures continued on next page)

-98-

```
7600 Boston Boulevard, Building Nine,
Springfield, VA
```

7375 Boston Boulevard, Building Ten, Springfield, VA

8000 Corporate Court, Building Eleven, Springfield, VA

7700 Boston Boulevard, Building Twelve, Springfield, VA

38 Cabot Boulevard, Bucks County, PA

2391 West Winton Avenue, Hayward, CA

365 Herndon Parkway (Sugarland I), Herndon, VA

397 Herndon Parkway (Sugarland II), Herndon, VA

164 Lexington Road, Billerica, MA

BOSTON PROPERTIES LIMITED PARTNERSHIP

- By: Boston Properties, Inc., its sole general partner
 - By:_____(SEAL) Edward H. Linde President and Chief Executive Officer

-99-

Schedule 1.1

Borrowing Base Properties

-100-

Schedule 1.3 Commitment Amount Commitment Percentage - - - - - - - -----BankBoston, N.A. 100 Federal Street Boston, MA 02110 \$300,000,000.00 100% \$300,000,000.00 100%

-101-

Bank

TOTAL

- -

LEASE AGREEMENT

DATED AS OF JUNE ____, 1997

BETWEEN

EDWARD H. LINDE AND MORTIMER B. ZUCKERMAN AS TRUSTEES OF DOWNTOWN BOSTON PROPERTIES TRUST

AS LESSOR

AND

ZL HOTEL LLC

AS LESSEE

Page

ARTI	CLE I	
	LEASE 1.1 1.2 1.3	Leased Property
ARTI	CLE II	
	DEFINIT: 2.1	IONS
ARTI	CLE III	
	3.1 3.2 3.3 3.4 3.5 3.6 3.7 3.8 3.9	15Rent.15Confirmation of Percentage Rent.22Additional Charges.23No Set Off.24Annual Operating Projection.24Books and Records.24Intentionally Omitted.24Changes in Operations.24Allocation of Revenues.24
ARTI	CLE IV IMPOSIT: 4.1 4.2 4.3 4.4	IONS
ARTI	CLE V	
	NO TERM 5.1	INATION, ABATEMENT
ARTI	CLE VI	
	PROPERT 6.1	Y OWNERSHIP

	6.2 6.3 6.4	Lessee's Personal Property	
ARTICLE VII			
	CONDITIO 7.1 7.2	DN, USE	
ARTI	CLE VIII		
	LEGAL R 8.1 8.2 8.3	EQUIREMENTS	
ARTI	CLE IX		
	MAINTEN 9.1	ANCE AND REPAIRS	
ARTI	CLE X		
	ALTERAT: 10.1 10.2 10.3	IONS	
ARTI	CLE XI		
	LIENS 11.1	35 Liens	
ARTICLE XII			
	PERMITTE 12.1	ED CONTESTS	
ARTI	CLE XIII		
	INSURANO 13.1 13.2 13.3 13.4 13.5	CE.37General Insurance Requirements.37Replacement Cost.39(Intentionally deleted).39Waiver of Subrogation.39Form Satisfactory, etc.40	

	13.6 13.7 13.8 13.9	Increase in Limits.40Blanket Policy.40Separate Insurance.40Reports On Insurance Claims.41
ARTI	CLE XIV	
	DAMAGE / 14.1 14.2 14.3 14.4 14.5	AND RECONSTRUCTION. 41 Insurance Proceeds. 41 Reconstruction in the Event of Damage or Destruction 41 Covered by Insurance. 41 Reconstruction in the Event of Damage or Destruction 41 Reconstruction in the Event of Damage or Destruction 41 Not Covered by Insurance. 42 Lessee's Property and Business Interruption Insurance. 42 Abatement of Rent. 42
ARTI	CLE XV	
	CONDEMN/ 15.1 15.2 15.3 15.4 15.5 15.6	ATION. 43 Definitions. 43 Parties' Rights and Obligations. 43 Total Taking. 43 Allocation of Award. 43 Partial Taking. 44 Temporary Taking. 44
ARTI	CLE XVI	
	DEFAULTS 16.1 16.2 16.3 16.4	S. 45 Events of Default. 45 Remedies. 47 Waiver. 48 Application of Funds. 48
ARTI	CLE XVII	
	LESSOR'S 17.1	S RIGHT TO CURE
ARTI	CLE XVII	I
	LIMITAT: 18.1 18.2 18.3 18.4	IONS.48Personal Property Limitation.48Sublease Rent Limitation.49Sublease Lessee Limitation.49Lessee Ownership Limitation.49

(iii)

ARTICLE XIX

HOLDING OVER
ARTICLE XX
INDEMNITIES
ARTICLE XXI
SUBLETTING AND ASSIGNMENT.5221.1Subletting and Assignment.5221.2Attornment.5321.3Management Agreement.54
ARTICLE XXII
ESTOPPEL CERTIFICATES
ARTICLE XXIII
INSPECTIONS
ARTICLE XXIV
NO WAIVER
ARTICLE XXV
CUMULATIVE REMEDIES
ARTICLE XXVI
SURRENDER
ARTICLE XXVII
NO MERGER
(iv)

ARTICLE XXVIII		
CONVEYANCE BY LESSOR		
ARTICLE XXIX		
QUIET ENJOYMENT		
ARTICLE XXX		
NOTICES		
ARTICLE XXXI		
APPRAISALS		
ARTICLE XXXII		
(Intentionally Deleted)61		
ARTICLE XXXIII		
(Intentionally Deleted)61		
ARTICLE XXXIV		
(Intentionally Deleted)61		
ARTICLE XXXV		
LESSEE CAPITALIZATION REQUIREMENTS. 61 35.1 Lessee's Net Worth. 61 35.2 Lessee's Cash. 62 35.3 Verification of Net Worth. 62 35.4 Change of Control. 62 35.5 Other Business Activities. 63 35.6 Non-Competition. 63		
ARTICLE XXXVI		
LESSOR'S OPTION TO TERMINATE63		
(v)		

(v)

	36.1	Lessor's Option to Terminate Lease63
ARTI	CLE XXXVI	I
	LESSOR'S 37.1	S RIGHTS
ARTI	CLE XXXVI	III
	CAPITAL 38.1	EXPENDITURES
ARTI	CLE XXXI>	(
	LESSOR'S 39.1	S DEFAULT
ARTI	CLE XL	
	ARBITRAT 40.1 40.2 40.3	TION66Arbitration66Alternative Arbitration66Arbitration Procedures66
ARTI	CLE XLI	
	TRADE-OU 41.1	JTS
ARTI	CLE XLII	
	MISCELLA 42.1 42.2 42.3 42.4 42.5	ANEOUS68Miscellaneous68Transition Procedures68Waiver of Presentment, etc69Standard of Discretion69Action for Damages69

(vi)

EXHIBITS

- -----

Exhibit A -	Property Description
Exhibit B -	Revenue Percentages and Breakdowns
Exhibit B-1-	Base Rate Payments
Exhibit B-2-	Percentage Rental Adjustments to Second Break Points
Exhibit C -	Equipment Leases

(vii)

LEASE AGREEMENT

THIS LEASE AGREEMENT (hereinafter called "Lease"), made as of the _____ day

of June, 1997, by and between EDWARD H. LINDE AND MORTIMER B. ZUCKERMAN, as TRUSTEES OF DOWNTOWN BOSTON PROPERTIES TRUST u/t/d May 11, 1979 and recorded with the Suffolk County Registry of Deeds in Book 9351, Page 70, and filed with the Suffolk County Registry District of the Land Court as Document No. 348533 and noted on Certificate of Title No. 92381, as amended (hereinafter called "Lessor"), and ZL HOTEL LLC, a Delaware limited liability company (hereinafter

called "Lessee"), provides as follows:

Lessor, in consideration of the payment of rent by Lessee to Lessor, the covenants and agreements to be performed by Lessee, and upon the terms and conditions hereinafter stated, does hereby rent and lease unto Lessee, and Lessee does hereby rent and lease from Lessor, the Leased Property (as hereinafter defined).

ARTICLE I

LEASE

1.1 Leased Property. The Leased Property (herein so called) is comprised of Lessor's interest in the following:

of Lesson 5 interest in the following.

- - - -

(a) the land described in Exhibit A attached hereto and by reference incorporated herein (the "Land");

(b) all buildings, structures and other improvements of every kind including, but not limited to, alleyways and connecting tunnels, sidewalks, utility pipes, conduits and lines (on-site and off-site), parking areas and roadways appurtenant to such buildings and structures presently or hereafter situated upon the Land (collectively, the "Leased Improvements");

(c) all easements, rights and appurtenances relating to the Land and the Leased Improvements;

(d) all equipment, machinery, fixtures, and other items of property required for or incidental to the use of the Leased Improvements as a hotel, including all components thereof, now and hereafter permanently affixed to or incorporated into the Leased Improvements, including, without limitation, all furnaces, boilers, heaters, electrical equipment, heating, plumbing, lighting, ventilating, refrigerating, incineration, air and water pollution control, waste disposal, air-cooling and air-conditioning systems and apparatus, sprinkler systems and fire and theft protection equipment, all of which to the greatest extent permitted by law are hereby deemed by the parties hereto to constitute real estate, together with all replacements, modifications, alterations and additions thereto (collectively, the "Fixtures");

(e) all furniture and furnishings and all other items of personal property (excluding Inventory and personal property owned by Lessee) located on, and used in connection with, the operation of the Leased Improvements as a hotel, together with all replacements, modifications, alterations and additions thereto; and

(f) all existing occupancy leases of the Leased Property (including any security deposits or collateral held by Lessor pursuant thereto).

THE LEASED PROPERTY IS DEMISED IN ITS PRESENT CONDITION WITHOUT REPRESENTATION OR WARRANTY (EXPRESSED OR IMPLIED) BY LESSOR AND SUBJECT TO THE RIGHTS OF PARTIES IN POSSESSION, AND TO THE EXISTING STATE OF TITLE INCLUDING ALL COVENANTS, CONDITIONS, RESTRICTIONS, EASEMENTS AND OTHER MATTERS OF RECORD INCLUDING ALL APPLICABLE LEGAL REQUIREMENTS AND MATTERS WHICH WOULD BE DISCLOSED BY AN INSPECTION OF THE LEASED PROPERTY OR BY AN ACCURATE SURVEY THEREOF.

1.2 Term. The term of this Lease (the "Term") shall commence, if at all, on the date of Lessor's acquisition (the "Acquisition") of the Leased Property (the "Commencement Date") and shall end on the fifth (5th) anniversary of the

last day of the month in which the Commencement Date occurs, unless sooner terminated in accordance with the provisions hereof. In the event the Acquisition does not occur by October 31, 1997, this Lease shall terminate and be of no further force and effect.

1.3 Initial Transition.

(a) Upon the Commencement Date and pursuant to a separate Assignment and Assumption Agreement, Lessor or the prior owner of the Leased Property shall transfer and assign to Lessee, and Lessee shall assume, all occupancy agreements and operating agreements to which the Leased Property remains subject on the Commencement Date.

(b) As between Lessor and Lessee, Lessor shall be entitled to all income and shall be responsible for the payment or settlement of all expenses of the Leased Property accruing prior to the Commencement Date. Lessee shall act as Lessor's agent for the collection of all such income and shall remit the same to Lessor promptly upon Lessee's receipt thereof. Lessee shall notify Lessor of all such expenses and shall act as Lessor's payment agent for such expenses using funds provided by Lessor from time to time. On the Commencement Date, Lessee shall be entitled to receive all cash, working capital funds, bank accounts, house banks and similar accounts existing at or with respect to the Leased Property as of the Commencement Date and, as between Lessor and Lessee, Lessee shall be entitled to retain all such cash and other accounts for its own use.

ARTICLE II

DEFINITIONS

2.1 Definitions. For all purposes of this Lease, except as otherwise

expressly provided or unless the context otherwise requires, (a) the terms defined in this Article have the meanings assigned to them in this Article and include the plural as well as the singular, (b) all accounting terms not otherwise defined herein have the meanings assigned to them in accordance with GAAP, (c) all references in this Lease to designated "Articles", "Sections" and other subdivisions are to the designated Articles, Sections and other subdivisions of this Lease and (d) the words "herein," "hereof" and "hereunder" and other words of similar import refer to this Lease as a whole and not to any particular Article, Section or other subdivision:

Acquisition: As defined in Section 1.2.

Additional Charges: As defined in Section 3.3.

Affiliate: As used in this Lease the term "Affiliate" of a person shall

mean (a) any person that, directly or indirectly, controls or is controlled by or is under common control with such person, (b) any other person that owns, beneficially, directly or indirectly, ten percent or more of the outstanding capital stock, shares or equity interests of such person, or (c) any officer, director, employee, partner or trustee of such person or any person controlling, controlled by or under common control with such person (excluding trustees and persons serving in similar capacities who are not otherwise an Affiliate of such person). The term "person" means and includes individuals, corporations, general and limited partnerships, limited liability companies, stock companies or associations, joint ventures, associations, companies, trusts, banks, trust companies, land trusts, business trusts, or other entities and governments and agencies and political subdivisions thereof. For the purposes of this definition (a) "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, by contract or otherwise and (b) it is acknowledged and agreed that Lessor and Lessee are not Affiliates of each other.

Annual Food Sales Break Point(s): As used in this Lease, the term Annual

Food Sales Break Point(s) shall mean the Annual Food Sales First Break Point and the Annual Food Sales Second Break Point, in accordance with Section 3.1(b)(ii)

and Exhibit B.

Annual Food Sales First Break Point: As defined in Section 3.1(b)(ii) and Exhibit B.

- -----

Annual Food Sales Second Break Point: As defined in Section 3.1(b)(ii) and Exhibit B.

Annual Operating Projection: As used in this Lease, the term "Annual

Operating Projection" shall have the meaning set forth in Section 9.04 of the

Management Agreement.

Annual Room Revenues Break Point(s): As used in this Lease, the term

"Annual Room Revenues Break Point(s)" shall mean the Annual Room Revenues First Break Point and the Annual Room Revenues Second Break Point, in accordance with

Section 3.1(b)(ii) and Exhibit B.

Annual Room Revenues First Break Point: As defined in Section 3.1(b)(ii) and Exhibit B.

Annual Room Revenues Second Break Point: As defined in Section 3.1(b)(ii) and Exhibit B.

Approval: As defined in Section 42.4.

Approved Financial Institution: As defined in Section 35.2.

Award: As defined in Section 15.1(c).

Base Rent: As defined in Section 3.1(a).

Base Rate: The prime rate (or base rate) reported in the Money Rates

column or comparable section of The Wall Street Journal as the rate then in

effect for corporate loans at large U.S. money center commercial banks, whether or not such rate has actually been charged by any such bank. If no such rate is reported in The Wall Street Journal or if such rate is discontinued, then Base

Rate shall mean such other successor or comparable rate as Lessor may reasonably designate.

Beverage Sales: Shall mean gross revenue from the sale of (i) wine, beer,

liquor or other alcoholic beverages, whether sold in a bar or lounge, delivered to or available in a guest room, sold at meetings or banquets or at any other location at the Leased Property and (ii) non-alcoholic beverages sold in a bar or lounge. Such gross revenue constituting Beverage Sales shall include sales by Lessee and its permitted subtenants, licensees and concessionaires (including Manager). Such revenue shall be determined in a manner consistent with the Uniform System and shall not include the following:

(a) Any gratuity or service charge added to a customer's bill or statement in lieu of a gratuity which is paid directly to an employee;

(b) Credits, rebates or refunds; and

(c) Sales taxes or taxes of any other kind imposed on the sale of alcoholic or other beverages.

Break Points: As defined in Section 3.1(b).

Business Day: Each Monday, Tuesday, Wednesday, Thursday and Friday that is

not a day on which national banks in the City of Boston, Massachusetts or in the municipality wherein the Leased Property is located are closed.

Management Agreement), to be accrued by Lessor in accordance with the provisions of Article XXXVIII hereof.

Capital Impositions: Taxes, assessments or similar charges imposed upon or

levied against the Leased Property for the costs of public improvements, including, without limitation, roads, sidewalks, public lighting fixtures, utility lines, storm sewers drainage facilities, and similar improvements.

Capital Improvements: Improvements to (a) the external walls and internal

load bearing walls (other than windows and plate glass), (b) the roof of the Facility, (c) private roadways, parking areas, sidewalks and curbs appurtenant thereto that are under Lessee's control (other than cleaning, patching and striping) and (d) mechanical, electrical and plumbing systems that service common areas, entire wings of the Facility or the entire Facility, including conduit and ductware connected thereto. Any dispute as to whether an improvement is a capital or non-capital improvement shall be resolved by arbitration pursuant to Section 40.2, it being the intent of Lessor and Lessee

that "capital" obligations of the Lessee pursuant to Section 8.03(B) of the

Management Agreement are intended to be included herein.

Capital Inventory Budget: As used in this Lease, the term "Capital

Inventory Budget" shall mean the estimate of expenditures for repairs or replacement of furniture, fixtures and equipment and building repairs, prepared and delivered to Lessee by Manager pursuant to Section 8.04 of the Management

Agreement.

Cash: As defined in Section 35.2.

CERCLA: The Comprehensive Environmental Response, Compensation and

Liability Act of 1980, as amended.

Change Percentage: Means the applicable percentage identified on

Exhibit B-2 by which the Annual Room Revenues Second Break Point and the Annual

Food Sales Second Break Point shall be adjusted based upon the applicable $\ensuremath{\mathsf{REVPAR}}$ Change.

Claims: As defined in Section 12.1.

COBRA: The Consolidated Omnibus Budget Reconciliation Act of 1985, as

amended.

Code: The Internal Revenue Code of 1986, as amended.

- - -

- - - -

Commencement Date: As defined in Section 1.2.

Company: Boston Properties, Inc., a Delaware corporation.

Comparable Lease: As defined in Section 36.1.

Cumulative Monthly Portion: As defined in Section 3.1(b)(ii).

Condemnation, Condemnor: As defined in Section 15.1.

Consolidated Financials: For any fiscal year or other accounting period

for Lessee and its consolidated Subsidiaries, statements of operations, partners' capital and cash flow (or, in the case of a corporation, statements of operations, retained earnings and cash flow) for such period and for the period from the beginning of the respective fiscal year to the end of such period and the related balance sheet as at the end of such period, together with the notes to any such yearly statement, all in such detail as may be required by the SEC with respect to filings made by the Company or Lessor, and setting forth in comparative form the corresponding figures for the corresponding period in the preceding fiscal year, and prepared in accordance with GAAP and audited annually (and quarterly if required by the SEC) by Coopers & Lybrand L.L.P. or another so-called "Big Six" firm of independent certified public accountants designated by Lessor. Consolidated Financials shall be prepared on the basis of a December 31 fiscal year of Lessee, or on such other basis as Lessor shall designate.

Consumable Supplies: Office supplies, cleaning supplies, uniforms, laundry

and valet supplies, engineering supplies, fuel, stationery, soap, matches, toilet and facial tissues, and such other supplies as are consumed customarily on a recurring basis in the operation of the Facility, together with food and beverages that are to be offered for sale to guests and to the public.

Consumer Price Index: The "Consumer Price Index" published by the Bureau

of Labor Statistics of the United States Department of Labor, U.S. City Average, All Item for Urban Wage Earners and Clerical Workers (1982-1984 = 100).

Date of Taking: As defined in Section 15.1(b).

Emergency Expenditures: Expenditures required to take necessary or

appropriate actions to respond to Emergency Situations.

Emergency Situations: Fire, any other casualty, or any other events,

circumstances or conditions (including, without limitation, those involving Hazardous Materials) which threaten the safety or physical well-being of the Facility's guests or employees or which involve the risk of material property damage or material loss to the Facility.

Environmental Authority: Any department, agency or other body or component

of any Government that exercises any form of jurisdiction or authority under any Environmental Law.

Environmental Authorization: Any license, permit, order, approval,

consent, notice, registration, filing or other form of permission or authorization required under any Environmental Law.

Environmental Laws: All applicable federal, state, local and foreign laws

and regulations relating to pollution of the environment (including without limitation, ambient air, surface water, ground water, land surface or subsurface strata), including without limitation laws and regulations relating to emissions, discharges, Releases or threatened Releases of Hazardous Materials or otherwise relating to the manufacture, processing, distribution, use, treatment, storage, disposal, transport or handling of Hazardous Materials. Environmental Laws include but are not limited to CERCLA, FIFRA, RCRA, SARA and TSCA.

Environmental Liabilities: Any and all actual or potential obligations to

pay the amount of any judgment or settlement, the cost of complying with any settlement, judgment or order for injunctive or other equitable relief, the cost of compliance or corrective action in response to any notice, demand or request from an Environmental Authority, the amount of any civil penalty or criminal fine, and any court costs and reasonable amounts for attorney's fees, fees for witnesses and experts, and costs of investigation and preparation for defense of any claim or any Proceeding, regardless of whether such Proceeding is threatened, pending or completed, that may be or have been asserted against or imposed upon Lessor, Lessee, any Predecessor, the Leased Property or any property used therein and arising out of:

(a) the failure to comply at any time with all Environmental Laws applicable to the Leased Property;

(b) the presence of any Hazardous Materials on, in, under, at or in any way affecting the Leased Property;

(c) a Release or threatened Release of any Hazardous Materials on, in, at, under or in any way affecting the Leased Property;

(d) the identification of Lessee, Lessor or any Predecessor as a potentially responsible party under CERCLA or under any other Environmental Law;

(e) the presence at any time of any above-ground and/or underground storage tanks, as defined in RCRA or in any applicable Environmental Law on, in, at or under the Leased Property or any adjacent site or facility; or

(f) any and all claims for injury or damage to persons or property arising out of exposure to Hazardous Materials originating or located at the Leased Property, or resulting from operation thereof or any adjoining property.

7

Event of Default: As defined in Section 16.1.

Existing Condition: As defined in Section 8.3(b).

Facility: The hotel and/or other facility offering lodging and other

services or amenities being operated or proposed to be operated on the Leased Property.

FIFRA: The Federal Insecticide, Fungicide, and Rodenticide Act, as _____ amended.

First Tier Food Sales Percentage: As defined in Section 3.1(b)(ii) and Exhibit B.

First Tier Room Revenue Percentage: As defined in Section 3.1(b)(ii) and Exhibit B.

Fixtures: As defined in Section 1.1.

Food Sales: Shall mean (i) gross revenue from the sale of food and non-

alcoholic beverages that are prepared at the Facility and sold or delivered on or off the Facility by Lessee, its permitted subtenants, licensees, or concessionaires (including Manager) whether for cash or for credit, including in respect of guest rooms, banquet rooms, meeting rooms and other similar rooms, and (ii) gross revenue from the rental of banquet, meeting and other similar rooms. Such gross revenue constituting Food Sales shall include sales by Lessee and its permitted subtenants, licensees and concessionaires (including Manager). Such revenue shall be determined in a manner consistent with the Uniform System and shall not include the following:

(a) Vending machine sales;

(b) Any gratuities or service charges added to a customer's bill or statement in lieu of a gratuity which is paid directly to an employee;

(c) Non-alcoholic beverages sold from a bar or lounge;

(d) Credits, rebates or refunds; and

(e) Sales taxes or taxes of any other kind imposed on the sale of food or non-alcoholic beverages.

Furniture and Equipment: For purposes of this Lease, the terms "furniture

and equipment" shall mean collectively all furniture, furnishings, wall coverings, fixtures and hotel equipment and systems owned by Lessor and located at, or used in connection with, the Facility, together with all replacements therefor and additions thereto, including, without limitation, (i) all equipment and systems required for the operation of kitchens, bars and restaurants, and laundry and dry cleaning facilities, (ii) office equipment, (iii) dining room wagons, materials handling equipment, and cleaning and engineering equipment, (iv) telephone and computerized accounting systems, and (v) vehicles.

GAAP: Generally accepted accounting principles as are at the time

applicable and otherwise consistently applied.

Government: The United States of America, any city, county, state,

district or territory thereof, any foreign nation, any city, county, state, district, department, territory or other political division thereof, or any political subdivision of any of the foregoing.

Gross Revenues: All revenues, receipts, and income of any kind derived

directly or indirectly by Lessee from or in connection with the Facility whether on a cash basis or credit, paid or collected, determined in accordance with GAAP and the Uniform System, but excluding, however: (i) funds furnished by Lessor, (ii) federal, state and municipal excise, sales, and use taxes collected directly from patrons and guests or as a part of the sales price of any goods, services or displays, such as gross receipts, admissions, cabaret or similar or equivalent taxes and paid over to federal, state or municipal governments, (iii) gratuities, (iv) proceeds of insurance and condemnation, (v) proceeds from sales other than sales in the ordinary course of business, (vi) all loan proceeds from financing or refinancings of the Facility or interests therein or components thereof, (vii) judgments and awards, except any portion thereof arising from normal business operations of the Facility, and (viii) items constituting "allowances" under the Uniform System.

Hazardous Materials: All chemicals, pollutants, contaminants, wastes and toxic substances, including without limitation:

(a) Solid or hazardous waste, as defined in RCRA or in any Environmental Law;

(b) Hazardous substances, as defined in CERCLA or in any Environmental Law;

(c) Toxic substances, as defined in TSCA or in any Environmental Law;

(d) Insecticides, fungicides, or rodenticides, as defined in FIFRA or in any Environmental Law;

(e) Gasoline or any other petroleum product or byproduct, polychlorinated biphenyls, asbestos and urea formaldehyde;

(f) Asbestos or asbestos containing materials;

- (g) Urea Formaldehyde foam insulation; and
- (h) Radon gas.

Holder: Any holder of any indebtedness of the Lessor or any of its

Affiliates, any holder of a Mortgage, any purchaser of the Leased Property or any portion thereof at a foreclosure sale or any sale in lieu thereof, or any designee of any of the foregoing.

Impositions: Collectively, all taxes (including, without limitation, all

ad valorem, sales and use, occupancy, single business, gross receipts, transaction privilege, rent or similar taxes as the same relate to or are imposed upon Lessee or Lessor or Lessee's business conducted upon the Leased Property), assessments (including, without limitation, all assessments for public improvements or benefit, whether or not commenced or completed prior to the date hereof and whether or not to be completed within the Term), ground rents, water, sewer or other rents and charges, excises, tax inspection, authorization and similar fees and all other governmental charges, in each case whether general or special, ordinary or extraordinary, or foreseen or unforeseen, of every character in respect of the Leased Property or the business conducted thereon by Lessee (including all interest and penalties thereon caused by any failure in payment by Lessee), which at any time prior to, during or with respect to the Term hereof may be assessed or imposed on or with respect to or be a lien upon (a) Lessor's interest in the Leased Property, (b) the Leased Property, or any part thereof or any rent therefrom or any estate, right, title or interest therein, or (c) any occupancy, operation, use or possession of, or sales from, or activity conducted on or in connection with the Leased Property, Nothing contained in this definition of Impositions shall be construed to require Lessee to pay (1) any tax based on net income (whether denominated as a franchise or capital stock or other tax) imposed on Lessor or any other person, or (2) any net revenue tax of Lessor or any other person, or (3) any tax imposed with respect to the sale, exchange or other disposition by Lessor of any Leased Property or the proceeds thereof.

Indemnifying Party: Any party obligated to indemnify an Indemnified Party

pursuant to any provision of this Lease.

Initial Nonconsumable Inventory: As defined in Section 6.2(a).

Insurance Requirements: All terms of any insurance policy required by this

Lease and all requirements of the issuer of any such policy.

Inventory: All "Inventories of Merchandise" and "Inventories of Supplies"

as defined in the Uniform System, including, but not limited to, linens, china, silver, glassware and other non-depreciable personal property, and any property of the type described in Section 1221(1) of the Code.

Land: As defined in Article I.

Lease: This Lease.

Lease Year: Any twelve-month period from January 1 to December 31 during

the Term; provided that the initial Lease Year shall be the period beginning on the Commencement Date and ending on December 31, 1997, and the last Lease Year shall be the period beginning on January 1 of the calendar year in which the Term expires and ending on the last day of the month in which the Commencement Date occurs (to the extent any computation or other provision hereof provides

for an action to be taken on a Lease Year basis, an appropriate proration or other adjustment shall be made in respect of the initial and final Lease Years to reflect that such periods are less than full calendar year periods).

Leased Improvements; Leased Property: Each as defined in Article I.

Legal Requirements: All federal, state, county, municipal and other

governmental statutes, laws, rules, orders, regulations, ordinances, judgments, decrees and injunctions affecting either the Leased Property or the maintenance, construction, use, operation or alteration thereof (whether by Lessee or otherwise), now or hereafter enacted and in force, including (a) all laws, rules or regulations pertaining to the environment, occupational health and safety and public health, safety or welfare, and (b) any laws, rules or regulations that may (1) require repairs, modifications or alterations in or to the Leased Property or (2) in any way adversely affect the use and enjoyment thereof; and all permits, licenses and authorizations necessary or appropriate to operate the Leased Property for its Primary Intended Use; and all covenants, agreements, restrictions and encumbrances hereafter created by Lessor without the consent of Lessee), at any time in force affecting the Leased Property.

Lessee: The Lessee designated on this Lease and its permitted successors

and assigns.

Lessee Indemnified Party: Lessee, any Affiliate of Lessee, any other

Person against whom any claim for indemnification may be asserted hereunder as a result of a direct or indirect ownership interest in Lessee, the officers, directors, stockholders, partners, members, employees, agents and representatives of any of the foregoing Persons and any corporate stockholder, agent, or representative of any of the foregoing Persons, and the respective heirs, personal representatives, successors and assigns of any such officer, director, stockholder, employee, agent or representative.

Lessee's Personal Property: As defined in Section 6.2.

Lessor: The Lessor designated on this Lease and its respective successors

and assigns. As of the date of this Lease the sole beneficiary of Lessor is Boston Properties Limited Partnership, a Delaware limited partnership.

Lessor Impositions: With respect to each Lease Year, an amount equal to

the aggregate amount of Capital Impositions, Real Estate Taxes and Personal Property Taxes due and payable for such Lease Year.

Lessor Indemnified Party: Lessor, any Affiliate of Lessor, including the

Company, any other Person against whom any claim for indemnification may be asserted hereunder as a result of a direct or indirect ownership interest in Lessor, the officers, directors, stockholders, partners, members, employees, agents and representatives of any of the foregoing Persons and of any stockholder, partner, member, agent, or representative of any of the foregoing Persons, and the

respective heirs, personal representatives, successors and assigns of any such officer, director, partner, stockholder, employee, agent or representative.

Lessor Insurance Costs: The costs to be borne by Lessor for insurance coverages contemplated by Article XIII hereof.

Lessor Obligations: An amount equal to (a) the aggregate amount that

Lessor is obligated to pay for the Lease Year in question under the terms of this Lease for Lessor Impositions and Lessor Insurance Costs plus (b) the amount to be accrued by Lessor in the Capital Expenditures Reserve for the Lease Year in question.

Lessor's Audit: An audit by Lessor's independent certified public

accountants of the operation of the Leased Property during any Lease Year, which audit may, at Lessor's election, be either a complete audit of the Leased Property's operations or an audit of Room Revenues, Food Sales and/or Beverage Sales realized from the operation of the Leased Property during such Lease Year.

Licenses: As defined in Section 42.2.

Management Agreement: Any management agreement and/or development

agreement with a manager under which the Facility is operated, including without limitation, that certain Management Agreement dated March 30, 1979, as amended successively on March 30, 1979, April 9, 1979, December 27, 1979, April 2, 1980, March 10, 1982, January 20, 1989, June 28, 1990 and June ____, 1997, and that certain Development Agreement dated January 10, 1979, as amended successively on March 30, 1979, December 27, 1979, June 28, 1990 and June ____, 1997, each between Manager and Lessee, and each as the same may be further amended or modified after the date hereof, with the prior written consent of Lessor.

Manager: As used in this Agreement, shall mean Marriott International, Inc.

or any permitted successor or assign.

Migration: As defined in Section 8.3(b). Minimum Net Worth: As defined in Section 35.1. Monthly Revenues Computation: As defined in Section 3.1(b). Mortgage: As defined in Section 28.2. Net Worth: As defined in Section 35.1. Nonconsumable Inventory: Inventory exclusive of Consumable Supplies. Notice: A notice given pursuant to Article XXX.

Officer's Certificate: A certificate of Lessee reasonably acceptable to

Lessor, signed by the chief financial officer or another officer duly authorized so to sign by Lessee or a managing member of Lessee, or any other person whose power and authority to act has been authorized by delegation in writing by any such officer.

Other Leased Properties: Shall mean any other hotels, in addition to the Leased Property, which at the time are the subject of leases in which Lessor or an Affiliate of Lessor is the landlord and Lessee or an Affiliate of Lessee is the tenant.

Other Leases: Shall mean the leases in effect at the time of applicable determination pursuant to which Lessor or an Affiliate of Lessor leases to Lessee or an Affiliate of Lessee the Other Leased Properties.

Overdue Rate: On any date, a rate equal to the Base Rate plus 5% per

annum, but in no event greater than the maximum rate then permitted under applicable law.

Payment Date: Any due date for the payment of any installment of Rent.

Percentage Rent: As defined in Section 3.1(b).

Person: Any Government, natural person, corporation, partnership or other

legal entity.

Personal Property Limitation: As defined in Section 18.1.

Personal Property Taxes: All personal property taxes imposed on the

furniture, furnishings or other items of personal property located on, and used in connection with, the operation of the Leased Improvements as a hotel (other than Inventory and other personal property owned by the Lessee and/or its tenants, licensees, concessionaires, agents or contractors (including Manager)), together with all replacements, modifications, alterations and additions thereto.

Predecessor: Any Person whose liabilities arising under any Environmental

Law have or may have been retained or assumed by Lessor or Lessee pursuant to the provisions of this Lease.

Primary Intended Use: As defined in Section 7.2(b).

Proceeding: Any judicial action, suit or proceeding (whether civil or

criminal), any administrative proceeding (whether formal or informal), any investigation by a governmental authority or entity (including a grand jury), and any arbitration, mediation or other non-judicial process for dispute resolution.

RCRA: The Resource Conservation and Recovery Act, as amended.

Real Estate Taxes: All real estate taxes, including general and special

assessments, if any, which are imposed upon the Land and any improvements thereon.

Release: A "Release" as defined in CERCLA or in any Environmental Law,

unless such Release has been properly authorized and permitted in writing by all applicable Environmental Authorities or is allowed by such Environmental Law without authorizations or permits.

Rent: Collectively, the Base Rent, Percentage Rent and Additional Charges.

Revenue Audit: As defined in Section 3.2(b).

Revenues Computation: As defined in Section 3.1(b).

REVPAR: Means the revenue per available room of the Leased Property,

determined by dividing Room Revenues by available rooms for the applicable $\operatorname{period}\nolimits.$

REVPAR Change: As defined in Section 3.1(d)(ii).

Room Revenues: Gross revenue from the rental of guest rooms, whether to

individuals, groups or transients, at the Facility, determined in a manner consistent with the Uniform System, excluding the following:

(a) The amount of all credits, rebates or refunds to customers, guests or patrons; and

(b) All sales taxes or any other taxes imposed on the rental of such guest rooms; and

(c) any fees collected for amenities including, but not limited to, telephone, laundry, movies or concessions.

SARA: The Superfund Amendments and Reauthorization Act of 1986, as

amended.

SEC: The U.S. Securities and Exchange Commission or any successor agency.

Second Tier Food Sales Percentage: As defined in Section 3.1(b)(ii) and Exhibit B.

- -----

Second Tier Room Revenue Percentage: As defined in Section 3.1(b)(ii) and Exhibit B.

- -----

State: The State or Commonwealth of the United States in which the Leased

Property is located.

Subsidiaries: Corporations or other entities in which Lessee owns,

directly or indirectly, 50% or more of the voting rights or control, as applicable (individually, a "Subsidiary").

Taking: A permanent or temporary taking or voluntary conveyance during the

Term hereof of all or part of the Leased Property, or any interest therein or right accruing thereto or use thereof, as the result of, or in settlement of, any Condemnation or other eminent domain proceeding affecting the Leased Property whether or not the same shall have actually been commenced.

Tax Law Change: A change in the Code (including, without limitation, a

change in the Treasury regulations promulgated thereunder) or in the judicial or administrative interpretations of the Code, which in Lessor's determination will permit Lessor or an Affiliate thereof to operate the Facility as a hotel without adversely affecting the Company's qualification for taxation as a real estate investment trust under the applicable provisions of the Code.

Tax Structure Change: A change in the corporate structure of the Company

and its Affiliates which in the Lessor's determination will permit an Affiliate of the Company to lease the Leased Property from Lessor or another Affiliate of the Company without adversely affecting the Company's qualification for taxation as a real estate investment trust under the applicable provisions of the Code.

Term: As defined in Section 1.2.

Third Tier Food Revenue Percentage: As defined in Section 3.1(b)(ii) and Exhibit B.

Third Tier Room Revenue Percentage: As defined in Section 3.1(b)(ii) and Exhibit B.

- ----

- - - -

TSCA: The Toxic Substances Control Act, as amended.

Unavoidable Delay: Delay due to strikes, lock-outs, labor unrest,

inability to procure materials, power failure, acts of God, governmental restrictions, enemy action, civil commotion, fire, unavoidable casualty, condemnation or other similar causes beyond the reasonable control of the party responsible for performing an obligation hereunder, provided that lack of funds shall not be deemed a cause beyond the reasonable control of either party hereto unless such lack of funds is caused by the breach of the other party's obligation to perform any obligations of such other party under this Lease.

Uneconomic for its Primary Intended Use: A state or condition of the

Facility such that in the judgment of Lessor the Facility cannot be operated on a commercially practicable basis for its Primary Intended Use, such that Lessor intends to, and shall, complete the cessation of operations from the Leased Facility, if and to the extent permitted under the Management Agreement.

Uniform System: Shall mean the Uniform System of Accounts for Hotels (8th

Revised Edition, 1986) as published by the Hotel Association of New York City, Inc., as the same may hereafter be revised, and as the same is interpreted and applied by the Lessor's independent certified public accountants in connection with any Lessor's Audit.

Unsuitable for its Primary Intended Use: A state or condition of the

Facility such that in the judgment of Lessor to the extent such judgment is not prohibited under the Management Agreement, the Facility cannot function as an integrated hotel facility consistent with standards applicable to a well maintained and operated hotel comparable in quality and function to that of the Facility prior to the damage or loss.

ARTICLE III

RENT

3.1 Rent. Lessee will pay to Lessor in lawful money of the United States

of America which shall be legal tender for the payment of public and private debts, at Lessor's address set forth in Article XXX hereof or at such other

place or to such other Person, as Lessor from time to time may designate in a Notice, all Rent contemplated hereby during the Term on the basis hereinafter set forth. If there is a dispute as to the amount of Rent to be paid by Lessee, either party may submit the dispute to arbitration pursuant to Section 40.2.

However, Lessee shall be required to pay, as and when Rent is due and payable hereunder, the amount of Rent calculated by Lessor to be due and payable until such time as the dispute is resolved by agreement between the parties or by arbitration pursuant to Section 40.2:

(a) Base Rent: During the Term, Lessee shall pay to Lessor as Base

Rent (herein so called and subject to increase as set forth in Subparagraph (d) below) the annual sum of Eight Million Nine Hundred Thirty Three Thousand Nine Hundred Ninety Dollars (\$8,933,990), which shall be payable in arrears in periodic installments on or before the earlier of (i) the twenty-fifth day after the end of each Accounting Period or (ii) the fifth day after Lessee's receipt of amounts relating to each Accounting Period pursuant to Section 5.02 of the

Management Agreement, in the amount for each such Accounting Period as set forth on the attached Exhibit B-1, provided, however, the monthly payment of Base Rent shall be prorated as to any partial month.

(b) Percentage Rent: In addition to the sums payable pursuant to

subparagraph (a) above, Lessee shall, on the date of each payment of Base Rent pursuant to subparagraph (a) above during the Term hereof, pay to Lessor an amount equal to the Percentage Rent (herein so called and subject to increase (or decrease) as set forth in Subparagraph (d) below) payable in accordance with the provisions of this subparagraph (b). Percentage Rent shall be calculated by the following formula (the "Revenues Computation"):

(i) For any calendar month, Percentage Rent shall equal:

(1) An amount equal to the Monthly Revenues Computation (defined below), for the Lease Year in question

less

(2) An amount equal to the Base Rent paid by Lessee to Lessor for the Lease Year to date

less

(3) An amount equal to the Percentage Rent theretofore paid for the Lease Year in question to date.

(ii) "Monthly Revenues Computation" shall be computed utilizing the

following definitions:

(1) "Cumulative Monthly Portion" shall mean a fraction having as its

numerator the total number of calendar months (including partial months) in a Lease Year which have elapsed prior to the month in which a monthly payment of Percentage Rent is due, and having as its denominator the total number of calendar months (including partial months) in the Lease Year. For example, the Cumulative Monthly Portion in a 12-month Lease Year for the January Percentage Rent payment due in February will be 1/12 and for the February Percentage Rent payment due in March will be 2/12, and such progression shall continue for each successive calendar month so that the Cumulative Monthly Portion for the December Percentage Rent payment due in January of the next Lease Year will be 12/12 or 100%.

(2) "First Tier Room Revenue Percentage," "Second Tier Room Revenue Percentage," "Third Tier Room Revenue Percentage," "First Tier Food Sales Percentage," "Second Tier Food Sales Percentage" and "Third Tier Food Sales Percentage" shall mean the percentages corresponding to each of such terms as set forth on Exhibit B.

(3) "Annual Room Revenues First Break Point" and "Annual Room Revenues Second Break Point" shall mean the amount of annual Room Revenues corresponding to each of such terms as set forth on Exhibit B.

(4) "Annual Food Sales First Break Point" and "Annual Foods Sales Second Break Point" shall mean the amount of annual Food Sales and Beverage Sales corresponding to each of such terms as set forth on Exhibit B.

(iii) The Monthly Revenues Computation shall be the amount obtained by adding, for the applicable Lease Year the following sums:

(1) an amount equal to the First Tier Room Revenue Percentage of all year to date Room Revenues up to (but not exceeding) the Cumulative Monthly Portion of the Annual Room Revenues First Break Point,

(2) an amount equal to the Second Tier Room Revenue Percentage of all year to date Room Revenues in excess of the Cumulative Monthly Portion of the Annual Room Revenues First Break Point up to (but not exceeding) the Cumulative Monthly Portion of the Annual Room Revenues Second Break Point,

(3) an amount equal to the Third Tier Room Revenue Percentage of all year to date Room Revenues in excess of the Cumulative Monthly Portion of the Annual Room Revenues Second Break Point,

(4) an amount equal to the First Tier Food Sales Percentage of all year to date Food Sales and Beverage Sales up to (but not exceeding) the Cumulative Monthly Portion of the Annual Food Sales First Break Point,

(5) an amount equal to the Second Tier Food Sales Percentage of all year to date Food Sales and Beverage Sales in excess of the Cumulative Monthly Portion of the Annual Food Sales First Break Point up to (but not exceeding) the Cumulative Monthly Portion of the Annual Food Sales Second Break Point, and

(6) an amount equal to the Third Tier Food Sales Percentage of all year to date Food Sales and Beverage Sales in excess of the Cumulative Monthly Portion of the Annual Food Sales Second Break Point.

(iv) If the Term begins or ends in the middle of a calendar year, then the number of months falling within the Term during such calendar year shall constitute a separate Lease Year. In that event, the Annual Room Revenues First Break Point, the Annual Room Revenues Second Break Point, the Annual Food Sales First Break Point and the Annual Food Sales Second Break Point (collectively, the "Break Points") shall each be multiplied by a fraction

equal to (A) the number of months (including partial months) in the Lease Year divided by (B) twelve (12), and the Cumulative Monthly Portion for each

of the months in such Lease Year shall be determined as set forth in the definition of Cumulative Monthly Portion above.

(v) The obligation to pay Percentage Rent shall survive the expiration or earlier termination of the Term, and a final reconciliation, taking into account, among other relevant adjustments, any adjustments which are accrued after such expiration or termination date but which related to Percentage Rent accrued prior to such termination date, shall be made not later than sixty (60) days after such expiration or termination date.

(c) Officer's Certificates. An Officer's Certificate shall be delivered to

Lessor monthly setting forth the calculation of the Percentage Rent payment for the most recently completed month within 10 days after each month of each Lease Year during the Term. There shall be no reduction in Base Rent regardless of the results of the Monthly or Annual Revenues Computation. Percentage Rent shall be subject to confirmation and adjustment, if applicable, as

set forth in Section 3.2. Notwithstanding the amounts of Percentage Rent paid

monthly pursuant to the formula set forth above, for each Lease Year during the Term commencing with the Lease Year in which the Commencement Date occurs, the Percentage Rent payable under this Lease shall be equal to the amount determined by the following formula:

The amount equal to the Annual Revenues Computation (as defined below) for the Lease Year in question

less

An amount equal to the Base Rent paid for the applicable Lease Year

equals

Percentage Rent for the applicable Lease Year.

The Annual Revenues Computation (herein so called) shall be the amount obtained by adding, for the applicable Lease Year, the following sums:

(1) an amount equal to the First Tier Room Revenue Percentage of Room Revenues for the applicable Lease Year up to (but not exceeding) the Annual Room Revenues First Break Point,

(2) an amount equal to the Second Tier Room Revenue Percentage of Room Revenues for the applicable Lease Year in excess of the Annual Room Revenues First Break Point up to (but not exceeding) the Annual Room Revenues Second Break Point,

(3) an amount equal to the Third Tier Room Revenue Percentage of Room Revenues for the applicable Lease Year in excess of the Annual Room Revenues Second Break Point,

(4) an amount equal to the First Tier Food Sales Percentage of Food Sales and Beverage Sales for the applicable Lease Year up to (but not exceeding) the Annual Food Sales First Break Point,

(5) an amount equal to the Second Tier Food Sales Percentage of Food Sales and Beverage Sales for the applicable Lease Year in excess of the Annual Food Sales First Break Point up to (but not exceeding) the Annual Food Sales Second Break Point, and

(6) an amount equal to the Third Tier Food Sales Percentage of Food Sales and Beverage Sales for the applicable Lease Year in excess of the Annual Food Sales Second Break Point.

If the annual Percentage Rent due and payable for any Lease Year (as shown in the applicable Officer's Certificate) exceeds the amount actually paid as Percentage Rent by Lessee for such year, Lessee also shall pay such excess to Lessor within sixty (60) days after the end of the applicable Lease Year. If the Percentage Rent actually due and payable for such Lease Year is shown by such certificate to be less than the amount actually paid as Percentage Rent for the applicable Lease Year, Lessee shall be entitled to a credit in the amount of such overpayment against the next ensuing payment of Base Rent and/or Percentage Rent, provided, however, if such overpayment is greater than a monthly payment of Base Rent, Lessor shall pay the amount which is over and above the monthly payment of Base Rent to Lessee within thirty (30) days of such determination. Notwithstanding the foregoing, if the Annual Revenues Computation is less than the Base Rent for the applicable Lease Year, Lessee shall not be entitled to any credit or refund.

(d) CPI Adjustments/REVPAR Adjustments.

(i) For each Lease Year during the Term beginning with the Lease Year commencing January 1, 1998, the Base Rent then in effect, the Annual Room Revenues First Break Point and the Annual Food Sales First Break Point then included in the Revenues Computation set forth in Section 3.1(b), shall be increased or, with respect to the Annual Room Revenues First Break Point and the Annual Food Sales First Break Point only, decreased as follows:

(1) For the Lease Year commencing January 1, 1998 and for each Lease Year thereafter during the Term, the Consumer Price Index for the day before the day that the new Lease Year commences ("Measurement Date") shall be divided by the Consumer Price Index for the day that is twelve months preceding the Measurement Date;

(2) The new Base Rent for the then current Lease Year shall be the product of the Base Rent in effect in the most recently ended Lease Year and the quotient obtained under subparagraph (1) above;

(3) The new Annual Room Revenues First Break Point in the Revenues Computation described in Section 3.1(b) above for the Lease Year commencing January 1, 1998 shall be the sum of (a) the Annual Room Revenues First Break Point in effect in the Lease Year ending December 31, 1997 plus or minus, as applicable, (b) the product of such Annual Room Revenues First Break Point multiplied by the quotient obtained in subparagraph (1) above; and the new Annual Room Revenues First Break Point in the Revenue Computation for the Lease Year beginning with the Lease Year commencing January 1, 1999 and for each Lease Year thereafter during the Term, shall be the sum of (a) the Annual Room Revenues First Break Point in effect in the most recently ended Lease Year plus or minus, as applicable, (b) the product of such Annual Room Revenues First Break Point multiplied by the quotient obtained in subparagraph (1) above; and

(4) The new Annual Food Sales First Break Point in the Revenues Computation described in Section 3.1(b) above for the Lease Year commencing January 1, 1998 shall be the sum of (a) the Annual Food Sales First Break Point in effect in the Lease Year

ending December 31, 1997 plus or minus, as applicable, (b) the product of such Annual Food Sales First Break Point multiplied by the quotient obtained in subparagraph (1) above; and the new Annual Food Sales Break Point in the Revenues Computation for the Lease Year beginning with the Lease Year commencing January 1, 1999 and for each Lease Year thereafter during the Term, shall be the sum of (a) the Annual Food Sales First Break Point in effect in the most recently ended Lease Year plus or minus, as applicable, (b) the product of such Annual Food Sales First Break Point multiplied by the quotient obtained in subparagraph (1) above.

In no event shall the Base Rent be reduced as a result of any changes in the Consumer $\ensuremath{\mathsf{Price}}$ Index.

If (1) a significant change is made in the number or nature (or both) of items used in determining the Consumer Price Index, or (2) the Consumer Price Index shall be discontinued for any reason, the Bureau of Labor Statistics shall be requested to furnish a new index comparable to the Consumer Price Index, together with information which will make possible a conversion to the new index in computing the adjusted Base Rent, Annual Room Revenues First Break Point, and Annual Food Sales First Break Point hereunder. If for any reason the Bureau of Labor Statistics does not furnish such an index and such information, the parties will instead mutually select, accept and use such other index or comparable statistics on the cost of living in various U.S. cities that is computed and published by an agency of the United States or a responsible financial periodical of recognized authority.

(ii) For each Accounting Period ending during each Lease Year during the Term, beginning with the Lease Year commencing January 1, 1998, the Annual Room Revenues Second Break Point and the Annual Food Sales Second Break Point then included in the Revenues Computations set forth in Section 3.1(b), shall be increased or decreased as follows (provided, however, that in no event shall the

Annual Room Revenues Second Break Point or the Annual Food Sales Second Break Point be adjusted during the first two (2) Accounting Periods ending during a Lease Year):

1. For each Accounting Period during the Lease Year commencing January 1, 1998 and for each Accounting Period during each Lease Year thereafter during the Term (other than the first two (2) Accounting Periods ending during a Lease Year, as noted above) the "REVPAR Change" for each such Accounting Period shall be computed by dividing (x) the REVPAR for the period commencing on the first day of the first Accounting Period ending during such Lease Year and ending on the last day of the applicable Accounting Period of the termination, by (y) the REVPAR for the period commencing on the first day of the first Accounting Period ending during the prior Lease Year and ending on the last day of the corresponding Accounting Period during the prior Lease Year. For example, the REVPAR Change for the third Accounting Period ending during a Lease Year shall be determined by dividing REVPAR for the first three Accounting Periods of such Lease Year by REVPAR for the first three Accounting Periods of the prior Lease Year. Similarly, the REVPAR Change for the fourth Accounting Period ending during a Lease Year shall be determined by dividing REVPAR for the first four Accounting Periods of such Lease Year by REVPAR for the first four Accounting Periods of the prior Lease Year. Such progression shall continue for each successive Accounting Period during each Lease Year such that the REVPAR Change for the thirteenth Accounting Period ending during a Lease Year shall be determined by dividing REVPAR for the thirteen Accounting Periods of such Lease Year by REVPAR for the thirteen Accounting Periods of the prior Lease Year;

2. The new Annual Rooms Revenue Second Break Point in the Revenues Computation described in Section 3.1(b) above for each Accounting Period ending during the Lease Year commencing January 1, 1998 shall be the sum of (a) the Annual Room Revenues Second Break Point in effect in the Lease Year ending January 31, 1997 plus or minus, as applicable, (b) the product of such Annual Room Revenues Second Break Point multiplied by the applicable Change Percentage for each Accounting Period ending during such Lease Year set forth on the attached Exhibit B-2; and the new Annual Rooms Revenue

Second Break Point in the Revenues Computation for each Accounting Period ending during the Lease Year beginning with the Lease Year commencing January 1, 1999 and for each Lease Year thereafter during the Term, shall be the sum of (a) the Annual Room Revenues Second Break Point in effect in the most recently ended Lease Year plus or minus, as applicable, (b) the product of such Annual Room Revenues Second Break Point multiplied by the applicable Change Percentage for each Accounting Period ending during such Lease Year set forth on the attached Exhibit B-2; and

3. The new Annual Food Sales Second Break Point in the Revenues Computation described in Section 3.1(b) above for each Accounting Period ending during the Lease Year commencing January 1, 1998 shall be the sum of (a) the Annual Food Sales Second Break Point in effect in the Lease Year ending January 31, 1997 plus or minus, as applicable, (b) the product of such Annual Food Sales Second Break Point multiplied by the applicable Change Percentage for each Accounting Period ending during such Lease Year set forth on the attached Exhibit B-2; and the new Annual Food Sales Second

Break Point in the Revenues Computation for each Accounting Period ending during the Lease Year beginning with the Lease Year commencing January 1, 1999 and for each Lease Year thereafter during the Term, shall be the sum of (a) the Annual Food Sales

Second Break Point in effect in the most recently ended Lease Year plus or minus, as applicable, (b) the product of such Annual Food Sales Second Break Point multiplied by the applicable Change Percentage for each Accounting Period ending during such Lease Year set forth on the attached Exhibit B-2.

(iii) Adjustments calculated as set forth above in the Base Rent, the Annual Room Revenues Break Point(s) and the Annual Food Sales Break Point(s) shall be effective on the first day of each calendar Lease Year (or each Accounting Period, as applicable) to which such adjusted amounts apply. If Rent is paid prior to the determination of the amount of any adjustment to Base Rent, the Annual Room Revenues Break Point(s) or the Annual Foods Sales Break Point(s) applicable for such period, whether because of a delay in the publication of the Consumer Price Index or the determination of applicable REVPAR or because of any other reason, payment adjustments for any shortfall in or overpayment of Rent paid shall be made with the first Base Rent and Percentage Rent payments due after the amount of the adjustments are determined.

3.2 Confirmation of Percentage Rent.

(a) Lessee shall utilize, or cause to be utilized, an accounting system for the Leased Property in accordance with GAAP and the Uniform System, that will accurately record all data necessary to compute Percentage Rent, and Lessee shall retain, for at least five (5) years after the expiration of each Lease Year, reasonably adequate records conforming to such accounting system showing all data necessary to conduct Lessor's Audit and to compute Percentage Rent for the applicable Lease Years.

(b) Lessor shall have the right from time to time by its accountants or representatives to audit such information in connection with Lessor's Audit, and to examine all Lessee's records (including supporting data and sales and excise tax returns) reasonably required to complete Lessor's Audit and to verify Percentage Rent, subject to any prohibitions or limitations on disclosure of any such data under Legal Requirements. If any Lessor's Audit discloses a deficiency in the payment of Percentage Rent, and either Lessee agrees with the result of Lessor's Audit or the matter is otherwise determined or compromised, Lessee shall forthwith pay to Lessor the amount of the deficiency, as finally agreed or determined, together with interest at the Overdue Rate from the date when said payment should have been made to the date of payment thereof; provided, however, that as to any Lessor's Audit that is commenced more than one (1) year after the end of any Lease Year, the deficiency, if any, with respect to such Percentage Rent shall bear interest at the Overdue Rate only from the date such determination of deficiency is made unless such deficiency is the result of gross negligence or willful misconduct on the part of Lessee, in which case interest at the Overdue Rate will accrue from the date such payment should have been made to the date of payment thereof. In addition to the amounts described above in this Section 3.2(b), if any Lessor's Audit discloses a deficiency in

the payment of Percentage Rent which, as finally agreed or determined, exceeds 3%, Lessee shall pay the costs of the portion of Lessor's Audit allocable to the determination of Gross Revenues (the "Revenue Audit"). In no event shall Lessor

undertake a Lessor's Audit more than five (5) years after the last day of the Lease Year for which such audit is requested.

(c) Any proprietary information obtained by Lessor pursuant to the provisions of this Section shall be treated as confidential, except that such information may be used, subject to appropriate confidentiality safeguards, in any litigation between the parties and except further that Lessor may disclose such information to prospective lenders and investors and to any other persons to whom disclosure is necessary or appropriate to comply with applicable laws, regulations and government requirements.

(d) The obligations of Lessee and Lessor contained in this Section shall survive the expiration or earlier termination of this Lease. Any dispute as to the existence or amount of any deficiency in the payment of Percentage Rent as disclosed by Lessor's Audit shall, if not otherwise settled by the parties, be submitted to arbitration pursuant to the provisions of Section 40.2.

3.3 Additional Charges. In addition to the Base Rent and Percentage

Rent, Lessee also will pay and discharge as and when due and payable the following: (a) all other amounts, liabilities, obligations and Impositions that Lessee assumes or agrees to pay under this Lease, and (b) in the event of any failure on the part of Lessee to pay any of those items referred to in clause (a) of this Section 3.3, Lessee also will promptly pay and discharge every fine,

penalty, interest and cost that may be added for non-payment or late payment of such items. The items referred to in clauses (a) and (b) of this Section 3.3 $\,$

shall be additional rent hereunder and shall be referred to herein collectively as the "Additional Charges". Lessor shall have all legal, equitable and

contractual rights, powers and remedies provided either in this Lease or by statute or otherwise in the case of non-payment of the Additional Charges as in the case of non-payment of the Base Rent. If any installment of Base Rent, Percentage Rent or Additional Charges (but only as to those Additional Charges that are payable directly to Lessor) shall not be paid on its due date, Lessee will pay Lessor within ten (10) days of demand, as Additional Charges, a late charge (to the extent permitted by law) equal to the greater of (i) interest computed at the Overdue Rate on the amount of such installment, from the due date of such installment to the date of payment thereof, or (b) five percent (5%) of such amount. To the extent that Lessee pays any Additional Charges to Lessor pursuant to any requirement of this Lease, Lessee shall be relieved of its obligation to pay such Additional Charges to the entity to which they would otherwise be due and Lessor shall pay the same from monies received from Lessee.

3.4 No Set Off. Rent shall be paid to Lessor without set off, deduction

or counterclaim; provided, however, that Lessee shall have the right of offset to the extent specifically provided in Section 39.1 and the right to assert any

claim or counterclaim in a separate action brought by Lessee under this Lease or to assert any mandatory counterclaim in any action brought by Lessor under this Lease.

3.5 Annual Operating Projection. Not later than twenty-five (25) days

prior to the commencement of each Lease Year, Lessee shall submit to Lessor an Annual Operating Projection and a Capital Inventory Budget prepared in accordance with the requirements of Section 8.04 and Section 9.04 of the Management Agreement.

3.6 Books and Records. Lessee shall keep and shall cause Manager to

keep, full and adequate books of account and other records reflecting the results of operation of the Facility on an accrual basis, all in accordance with the Uniform System and GAAP and the obligations of Lessee under this Lease. The books of account and all other records relating to or reflecting the operation of the Facility shall be kept either at the Facility or at Lesse's offices in Boston, Massachusetts and shall be available to Lessor and its representatives and its auditors or accountants, at all reasonable times for examination, audit, inspection, and transcription. All of such books and records pertaining to the Facility including, without limitation, books of account, guest records and front office records, at all times shall be the property of Lessor and shall not be removed from the Facility or Lesse's offices offices offices without Lessor's prior written approval. Lessee shall be entitled to make copies of any or all such books and records for its own files. Lessee's obligations under this Section 3.6 shall

survive termination of this Lease for any reason.

3.7 Intentionally Omitted.

3.8 Changes in Operations. Without Lessor's prior written consent,

Lessee shall not (i) provide food and/or beverage operations at the Facility if not presently provided, (ii) discontinue any food and/or beverage operations which are presently provided, or (iii) convert a subtenant, licensee or concessionaire to an operating department of the Facility or vice-versa.

3.9 Allocation of Revenues. In the event that individuals or groups

purchase rooms, food and beverage and/or the use of other hotel facilities or services together or as part of a package, Lessee agrees that revenues shall be allocated among Room Revenues, Food Sales, Beverage Sales and/or other revenue categories, as applicable, in a reasonably manner consistent with the historical allocation of such revenues.

ARTICLE IV

IMPOSITIONS

4.1 Payment of Impositions.

(a) Subject to Article XII relating to permitted contests, Lessee will

pay, or cause to be paid, all Impositions (other than Lessor Impositions, which shall be paid by Lessor) before any fine, penalty, interest or cost may be added for non-payment, such payments to be made directly to the taxing or other authorities where feasible, and will promptly furnish to Lessor copies of official receipts or other satisfactory proof evidencing such payments. Lessee's obligation to pay such Impositions shall be deemed absolutely fixed upon the date such Impositions become a lien upon the Leased Property or any part thereof, subject to Lessee's right of contest pursuant to the provisions of Article XII. If any such Imposition may, at the option of the taxpayer,

lawfully be paid in installments (whether or not interest shall accrue on the unpaid balance of such Imposition), Lessee may exercise the option to pay the same (and any accrued interest on the unpaid balance of such Imposition) in installments payable during the Term and in such event, shall pay such installments and any unpaid balance of such Impositions prior to the

expiration or earlier termination of the Term hereof and before any fine, penalty, premium, further interest or cost may be added thereto.

(b) Lessor, at its expense, shall, to the extent required or permitted by applicable law, prepare and file all tax returns in respect of Lessor's net income, gross receipts, sales and use, single business, transaction privilege, rent, ad valorem, franchise taxes, Real Estate Taxes, Personal Property Taxes and taxes on its capital stock, and Lessee, at its expense, shall, to the extent required or permitted by applicable laws and regulations, prepare and file all other tax returns and reports in respect of any Imposition as may be required by governmental authorities.

(c) If any refund shall be due from any taxing authority in respect of any Imposition paid by Lessee, the same shall be paid over to or retained by Lessee if no Event of Default shall have occurred hereunder and be continuing. If an Event of Default shall have been declared by Lessor and be continuing, any such refund shall be paid over to or retained by Lessor. Any such funds retained by Lessor due to an Event of Default shall be applied as provided in Article XVI.

(d) Lessor and Lessee shall, upon request of the other, cooperate with the other party and otherwise provide such data as is maintained by the party to whom the request is made with respect to the Leased Property as may be necessary to prepare any required returns and reports. Lessee shall file all Personal Property Tax returns in such jurisdictions where it is legally required to so file. Lessor, to the extent it possesses the same, and Lessee, to the extent it possesses the same, will provide the other party, upon request, with cost and depreciation records necessary for filing returns for any property classified as personal property. Where Lessor is legally required to file Personal Property Tax returns, Lessee shall provide Lessor with copies of assessment notices in sufficient time for Lessor to file a protest.

(e) Lessor may, upon notice to Lessee and to the extent not prohibited by the Management Agreement, at Lessor's option and at Lessor's sole expense, protest, appeal, or institute such other proceedings (in its or Lessee's name) as Lessor may deem appropriate to effect a reduction of real estate or personal property assessments for those Impositions to be paid by Lessor, and Lessee, at Lessor's expense as aforesaid, shall fully cooperate with Lessor in such protest, appeal, or other action. Lessor hereby agrees to indemnify, defend, and hold harmless Lessee from and against any claims, obligations, and liabilities against or incurred by Lessee in connection with such cooperation. Billings for reimbursement of Personal Property Taxes by Lessee to Lessor shall be accompanied by copies of a bill therefor and payments thereof which identify the personal property with respect to which such payments are made. Lessor, however, reserves the right to effect any such protest, appeal or other action and, upon notice to Lessee, shall control any such activity, which shall then proceed at Lessor's sole expense. Upon such notice, Lessee, at Lessor's expense, shall cooperate fully with such activities.

(f) To the extent received by it, Lessee shall furnish Lessor with copies of all assessment notices for Real Estate Taxes and Personal Property Taxes in sufficient time for Lessor to file a protest and pay such taxes without penalty. Lessor shall within thirty (30) days after

making such payment furnish Lessee with evidence of payment of Capital Impositions, Real Estate Taxes and Personal Property Taxes.

4.2 Notice of Impositions. Lessor shall give prompt Notice to Lessee

of all Impositions payable by Lessee hereunder of which Lessor at any time has knowledge, provided that Lessor's failure to give any such Notice shall in no way diminish Lessee's obligations hereunder to pay such Impositions, but if Lessee did not otherwise have knowledge of such Imposition sufficient to permit it to pay same, such failure shall obviate any default hereunder for a reasonable time after Lessee receives Notice of any Imposition which it is obligated to pay during the first taxing period applicable thereto.

4.3 $\mbox{Adjustment}$ of Impositions. Impositions payable by Lessee which

are imposed in respect of the tax-fiscal period during which the Term terminates shall be adjusted and prorated between Lessor and Lessee, whether or not such Imposition is imposed before or after such termination, and Lessee's obligation to pay its prorated share thereof after termination shall survive such termination.

and maintaining utility services to the Leased Property and will pay or cause to be paid all charges for electricity, gas, oil, water, sewer and other utilities used in the Leased Property during the Term.

ARTICLE V

NO TERMINATION, ABATEMENT

5.1 No Termination, Abatement. Except as otherwise specifically

provided in this Lease, Lessee, to the extent permitted by law, shall remain bound by this Lease in accordance with its terms and shall neither take any action without the written consent of Lessor to modify, surrender or terminate the same, nor seek nor be entitled to any abatement, deduction, deferment or reduction of the Rent, or setoff against the Rent, nor shall the obligations of Lessee be otherwise affected by reason of (a) any damage to, or destruction of, any Leased Property or any portion thereof from whatever cause or any Taking of the Leased Property or any portion thereof, (b) any bankruptcy, insolvency, reorganization, composition, readjustment, liquidation, dissolution, winding up or other proceedings affecting Lessor or any assignee or transferee of Lessor, or (c) for any other cause whether similar or dissimilar to any of the foregoing other than a discharge of Lessee from any such obligations as a matter of law. Lessee hereby specifically waives all rights, arising from any default under this Lease by Lessor which may now or hereafter be conferred upon it by law to (1) modify, surrender or terminate this Lease or quit or surrender the Leased Property or any portion thereof, or (2) entitle Lessee to any abatement, reduction, suspension or deferment of or set off against the Rent or other sums payable by Lessee hereunder, except as otherwise specifically provided in this Lease. The obligations of Lessee hereunder shall be separate and independent covenants and agreements and the Rent and all other sums payable by Lessee hereunder shall continue to be payable in all events unless the obligations to pay the same shall be terminated pursuant to the express provisions of this Lease or by termination of this Lease other than by reason of an Event of Default.

ARTICLE VI

PROPERTY OWNERSHIP

6.1 Ownership of the Leased Property. Lessee acknowledges that the

Leased Property is the property of Lessor and that Lessee has only the right to the possession and use of the Leased Property upon the terms and conditions of this Lease.

6.2 Lessee's Personal Property.

(a) Upon commencement of the Term, (i) Lessor shall transfer (to the extent owned by Lessor) to Lessee all Consumable Supplies at the Facility for their fair market value, and (ii) Lessor shall transfer (to the extent owned by Lessor) to Lessee all Nonconsumable Inventory located at the Facility on the Commencement Date (the "Initial Nonconsumable Inventory"). At all times during

the Term, Lessee shall maintain, or cause Manager to maintain, Inventory consistent with the amount of inventory which is customarily maintained in a hotel of the type and character of the Facility and is otherwise required to operate the Leased Property in the manner contemplated by this Lease and in compliance with the Management Agreement and all Legal Requirements. All Inventory, to the extent not owned by the Manager pursuant to the Management Agreement, shall be the property of Lessee, subject to Lessee's obligations under Section 6.2(b). Lessee may (and shall as provided hereinbelow), at its

expense, but subject to the Management Agreement, install, affix or assemble or place on any parcels of the Land or in any of the Leased Improvements, any items of personal property (including Inventory) owned by Lessee (collectively, the "Lessee's Personal Property"). Lessee may, subject to the second sentence of

this Section 6.2(a) and the conditions set forth in Section 6.2(b) below, remove

any of Lessee's Personal Property set forth on such list at any time during the Term or upon the expiration or any prior termination of the Term. All of Lessee's Personal Property, other than Inventory, not removed by Lessee within thirty (30) days following the expiration or earlier termination of the Term shall be considered abandoned by Lessee and may be appropriated, sold, destroyed or otherwise disposed of by Lesser without first giving Notice thereof to Lessee, without any payment to Lessee and without any obligation to account therefor. Lessee will, at its expense, restore the Leased Property to the condition required by Section 9.1(d), including repair of all damage to the

Leased Property caused by the removal of Lessee's Personal Property, whether effected by Lessee or Lessor.

(b) Lessor and Lessee agree that the transfer of Consumable Supplies and Initial Nonconsumable Inventory from Lessor to Lessee upon commencement of the Term shall be treated as a sale of the Initial Nonconsumable Inventory for the fair market value thereof (the "Purchase Price"). The Purchase

Price, plus interest thereon at the applicable federal rate published pursuant to Section 1274(d) of the Internal Revenue Code of 1986, as amended, shall be payable in equal monthly installments over the Term and shall be credited against amounts of Base Rent and Percentage Rent payable under this Lease. Nothing in this Section 6.2(b) shall be interpreted to give rise to any

obligation of Lessee to make any payment to Lessor, but instead this $\ensuremath{\mathsf{Section}}$

6.2(b) is intended to characterize payments otherwise denominated as Rent as - -----

payments

of the Purchase Price and interest thereon. Lessor and Lessee shall determine the Purchase Price in their joint inventory of the Facility to be conducted within fifteen (15) days of the date hereof.

 $6.3\,$ Lessor's Lien. To the fullest extent permitted by applicable

law, Lessor is granted a lien and security interest on all Lessee's Personal Property now or hereinafter placed in or upon the Leased Property, and such lien and security interest shall remain attached to such Lessee's Personal Property until payment in full of all Rent and satisfaction of all of Lessee's obligations hereunder; provided, however, Lessor shall subordinate its lien and security interest only to that of any non-Affiliate of Lessee which finances such Lessee's Personal Property or any non-Affiliate conditional seller of such Lessee's Personal Property, the terms and conditions of such subordination to be satisfactory to Lessor in the exercise of reasonable discretion. Lessee shall, upon the request of Lessor, execute such financing statements or other documents or instruments reasonably requested by Lessor to perfect the lien and security interests herein granted.

6.4 Equipment Lease Property. Personal property utilized at the

Facility which is leased pursuant to the equipment leases listed on Exhibit C

and which expire on or before the termination of this Lease shall, at the option of Lessor, become the property of Lessor without the payment of additional consideration by Lessor except for any consideration which must be paid to the equipment lessor on expiration of the equipment lease to acquire title thereto. Lessee shall cooperate with Lessor to assume the transfer of title to such leased property to Lessor and shall give Notice to Lessor of any such leases and of the expiration dates thereof. Lessor shall, at Lessor's cost, acquire title to or replace such leased property with funds other than the Capital Expenditures Reserve when the leases for such leased property expire and make such property or replacement property available to Lessee hereunder during the Term of this Lease.

ARTICLE VII

CONDITION, USE

7.1 Condition of the Leased Property. Lessee acknowledges receipt

and delivery of possession of the Leased Property. Lessee has examined and otherwise has knowledge of the condition of the Leased Property and has found the same to be satisfactory for its purposes hereunder. Lessee is leasing the Leased Property "as is", "with all faults", and in its present condition. Except as otherwise specifically provided herein, Lessee waives any claim or action against Lessor in respect of the condition of the Leased Property. LESSOR MAKES NO WARRANTY OR REPRESENTATION, EXPRESS OR IMPLIED, IN RESPECT OF THE LEASED PROPERTY, OR ANY PART THEREOF, EITHER AS TO ITS FITNESS FOR USE, DESIGN OR CONDITION FOR ANY PARTICULAR USE OR PURPOSE OR OTHERWISE, AS TO THE QUALITY OF THE MATERIAL OR WORKMANSHIP THEREIN, LATENT OR PATENT, IT BEING AGREED THAT ALL SUCH RISKS ARE TO BE BORNE BY LESSEE AND IS SATISFACTORY TO IT.

(a) Lessee covenants that it will, or will cause Manager to, obtain and maintain, all permits, licenses and approvals, including, without limitation, liquor licenses, needed to use and operate the Leased Property and the Facility under applicable local, state and federal law, the Management Agreement.

(b) Lessee shall use or cause to be used the Leased Property only as a hotel facility, and for such other uses as may be necessary or incidental to such use, or such other use as otherwise approved by Lessor (the "Primary Intended Use"). Lessee shall not use the Leased Property or any portion

thereof for any other use without the prior written consent of Lessor. No use shall be made or permitted to be made of the Leased Property, and no acts shall be done, which will cause the cancellation of any insurance policy covering the Leased Property or any part thereof (unless another adequate policy satisfactory to Lessor is available and Lessee pays any premium increase), nor shall Lessee sell or permit to be kept, used or sold in or about the Leased Property any article which is prohibited by law or fire underwriter's regulations. Lessee shall comply, and shall cause Manager to comply, with all of the requirements pertaining to the Leased Property of any insurance board, association, organization or company necessary for the maintenance of insurance, as herein provided, covering the Leased Property and Lessee's Personal Property, which compliance shall be performed at Lessee's sole cost except to the extent that such compliance requires the performance of a Capital Improvement or the payment of a Capital Imposition which are not the Manager's obligation under the Management Agreement.

(c) Subject to the provisions of Articles XIV and XV, Lessee

covenants and agrees that during the Term it will (1) continuously operate and cause the Manager to continuously operate the Leased Property as a hotel facility, (2) keep in full force and effect and comply in all material respects with all the provisions of the Management Agreement and cause the Manager to comply in all material respects with all of the provisions of the Management Agreement, (3) not enter into, terminate or amend in any respect any Management Agreement without the consent of Lessor, (4) maintain or cause to be maintained, appropriate certifications and licenses for such use and (5) keep Lessor advised of the status of any litigation affecting the Leased Property.

(d) Lessee shall not commit or suffer to be committed any waste on the Leased Property, or in the Facility, nor shall Lessee cause or permit any nuisance thereon.

(e) Lessee shall neither suffer nor permit the Leased Property or any portion thereof, or Lessee's Personal Property, to be used in such a manner as (1) might reasonably tend to impair Lessor's (or Lessee's, as the case may be) title thereto or to any portion thereof, or (2) may reasonably make possible a claim or claims of adverse usage or adverse possession by the public, as such, or of implied dedication of the Leased Property or any portion thereof.

(f) Lessee acknowledges and agrees that all employees involved in the use and operation of the Leased Property shall be employees of Lessee, Manager, or one of their Affiliates and not of Lessor or any of its Affiliates. Lessee, the Manager, and their respective Affiliates shall fully comply with all Legal Requirements and all collective bargaining and other agreements

applicable to such employees. Upon the expiration or earlier termination of this Lease, all such employees shall be terminated or retained by Lessee, Manager or their respective Affiliates, as applicable, and Lessee, Manager or their respective Affiliates, as applicable, shall provide any required notices or other rights to such employees, all without liability to Lessor or the Leased Property, or any other owner, lessee or manager of the Leased Property. Payment of all costs and expenses associated with accrued but unpaid salary, earned but unpaid vacation pay, accrued but unearned vacation pay, pension and welfare benefits, the Consolidated Omnibus Budget Reconciliation Act of 1985, as amended ("COBRA")benefits, employee fringe benefits, employee termination payments or

any other employee benefits due to such employees, shall be the sole responsibility and obligation of and shall be paid when due by Lessee, Manager or their respective Affiliates, as applicable. Upon the expiration or earlier termination of this Lease, any owner, manager or lessee of the Leased Property shall have the right, but not the obligation, to extend offers of employment to some or all of such employees on such terms and conditions as are determined solely in such party's discretion; and Lessee shall, and shall cause Manager to, use reasonable efforts to assist such party in its efforts to secure satisfactory employment arrangements with such employees. Lessee, Manager or their respective Affiliates, as applicable, shall provide any notices, coverages or other rights as shall be required to comply with the medical coverage continuation requirements of COBRA to any persons who are entitled to such rights by virtue of the maintenance of any group health plan by Lessee, Manager or their respective Affiliates, as applicable, and shall maintain, or cause an affiliate company to maintain, a group health plan that such person shall be entitled to participate in for the maximum period required by COBRA. Lessee shall indemnify, defend and hold harmless Lessor, the Leased Property, and any other owner, lessee or manager of the Leased Property, from and against any and all claims, causes of action, proceedings, judgments, damages, penalties, liabilities, costs and expenses (including reasonable attorney's fees and disbursements) arising out of the employment or termination of employment of or failure to offer employment to any employee or prospective employee by Lessee, Manager or their respective Affiliates, including, without limitation, claims of discrimination, sexual harassment, breaches of employment or collective bargaining agreements, or the failure of Lessee, Manager or any of their Affiliates to comply with the provisions of this section. The indemnification rights and obligations provided for in this section shall survive the termination of this lease.

ARTICLE VIII

LEGAL REQUIREMENTS

8.1 Compliance with Legal and Insurance Requirements. Subject to

Sections 8.2 and 8.3 and Article XII relating to permitted contests, Lessee, at

its expense, will promptly (a) comply with all applicable Legal Requirements and Insurance Requirements in respect of the use, operation, maintenance, repair and restoration of the Leased Property, and (b) procure, maintain and comply, or cause Manager to procure, maintain and comply, with all appropriate licenses and other authorizations required for any use of the Leased Property and Lessee's Personal Property then being made, and for the proper erection, installation, operation and maintenance of the Leased Property or any part thereof.

8.2 Legal Requirement Covenants. Subject to Section 8.3, Lessee

covenants and agrees that (i) the Leased Property and Lessee's Personal Property shall not be used for any unlawful purpose, and that Lessee shall not permit or suffer to exist any unlawful use of the Leased Property by others, (ii) Lessee shall or shall cause Manager to acquire and maintain all appropriate licenses, certifications, permits and other authorizations and approvals needed to operate the Leased Property in its customary manner for the Primary Intended Use, and any other lawful use conducted on the Leased Property as may be permitted from time to time hereunder and (iii) Lessee's use of the Leased Property and maintenance, alteration, and operation of the same, and all parts thereof, shall at all times conform to all Legal Requirements, unless the same are finally determined by a court of competent jurisdiction to be unlawful (and Lessee shall cause all such sub-tenants, invitees or others (including Manager) to so comply with all Legal Requirements).

8.3 Environmental Covenants. Lessor and Lessee (in addition to, and

not in diminution of, Lessee's covenants and undertakings in Sections 8.1 and 8.2 hereof) covenant and agree as follows:

(a) At all times hereafter until Lessee completely vacates the Leased Property and surrenders possession of the same to Lessor, Lessee shall fully comply with all Environmental Laws applicable to the Leased Property and the operations thereon, except to the extent that such compliance would require the remediation of Environmental Liabilities for which Lessee has no indemnity obligations under Section 8.3(b). Lessee agrees to give Lessor prompt written

notice of (1) all Environmental Liabilities; (2) all pending, threatened or anticipated Proceedings, and all notices, demands, requests or investigations, relating to any Environmental Liability or relating to the issuance, revocation or change in any Environmental Authorization required for operation of the Leased Property; (3) all Releases at, on, in, under or in any way affecting the Leased Property, or any Release known by Lessee at, on, in or under any property adjacent to the Leased Property; and (4) all facts, events or conditions that could reasonably lead to the occurrence of any of the above-referenced matters.

(b) LESSEE WILL PROTECT, INDEMNIFY, HOLD HARMLESS AND DEFEND LESSOR INDEMNIFIED PARTIES FROM AND AGAINST ANY AND ALL ENVIRONMENTAL LIABILITIES TO THE EXTENT PERMITTED BY LAW INCLUDING THOSE RESULTING FROM A LESSOR INDEMNIFIED PARTIES' OWN NEGLIGENCE except to the extent that the same (i) are caused by the intentionally wrongful acts or grossly negligent failures to act of Lessor, or (ii) result from conditions existing at the Leased Property at the date of this Lease (an "Existing Condition") or from Releases or other

violations of Environmental Laws originating on adjacent property but affecting the Leased Property (a "Migration"), provided that in either case such

exclusions shall not apply to the extent that the Existing Condition or the Migration has been exacerbated by Lessee's act or negligent failure to act.

(c) Lessor hereby agrees to defend, indemnify and save harmless any and all Lessee Indemnified Parties from and against any and all Environmental Liabilities to the extent

that the same were caused by the intentionally wrongful acts or grossly negligent failures to act of Lessor.

(d) If any Proceeding is brought against any Indemnified Party in respect of an Environmental Liability with respect to which such Indemnified Party may claim indemnification under either Section 8.3(b) or (c), the

Indemnifying Party, upon request, shall at its sole expense resist and defend such Proceeding, or cause the same to be resisted and defended by counsel designated by the Indemnifying Party and approved by the Indemnified Party, which approval shall not be unreasonably withheld or delayed; provided, however, that such approval shall not be required in the case of defense by counsel designated by any insurance company undertaking such defense pursuant to any applicable policy of insurance. Each Indemnified Party shall have the right to employ separate counsel in any such Proceeding and to participate in the defense thereof, but the fees and expenses of such counsel will be at the sole expense of such Indemnified Party unless a conflict of interest prevents representation of such Indemnified Party by the counsel selected by the Indemnifying Party and such separate counsel has been approved by the Indemnifying Party, which approval shall not be unreasonably withheld or delayed. The Indemnifying Party shall not be liable for any settlement of any such Proceeding made without its consent, which shall not be unreasonably withheld or delayed, but if settled with the consent of the Indemnifying Party, or if settled without its consent (if its consent shall be unreasonably withheld), or if there be a final, nonappealable judgment for an adversary party in any such Proceeding, the Indemnifying Party shall indemnify and hold harmless the Indemnified Parties from and against any liabilities incurred by such Indemnified Parties by reason of such settlement or judgement.

(e) At any time any Indemnified Party has reason to believe circumstances exist which could reasonably result in an Environmental Liability, upon reasonable prior written notice to Lessee stating such Indemnified Party's basis for such belief, an Indemnified Party shall be given immediate access to the Leased Property (including, but not limited to, the right to enter upon, investigate, drill wells, take soil borings, excavate, monitor, test, cap and use available land for the testing of remedial technologies), Lessee's employees, and to all relevant documents and records regarding the matter as to which a responsibility, liability or obligation is asserted or which is the subject of any Proceeding; provided that such access may be conditioned or restricted as may be reasonably necessary to ensure compliance with law and the safety of personnel and facilities or to protect confidential or privileged information and shall also be subject to any limitations set forth in the Management Agreement. All Indemnified Parties requesting such immediate access and cooperation shall endeavor to coordinate such efforts to result in as minimal interruption of the operation of the Leased Property as practicable.

(f) The indemnification rights and obligations provided for in this Article VIII shall be in addition to any indemnification rights and

obligations provided for elsewhere in this Lease.

(g) The indemnification rights and obligations provided for in this Article VIII shall survive the termination of this Lease.

Indemnified Party seeks indemnification shall be computed net of (a) any actual income tax benefit resulting therefrom to such Indemnified Party, (b) any insurance proceeds received (net of tax effects) with respect thereto, and (c) any amount's recovered (net of tax effects) from any third parties based on claims the Indemnified Party has against such third parties which reduce the damages that would otherwise be sustained; provided that in all cases, the timing of the receipt or realization of insurance proceeds or income tax benefits or recoveries from third parties shall be taken into account in determining the amount of reduction of damages. Each Indemnified Party agrees to use its reasonable efforts to pursue, or assign to Lessee or Lessor, as the case may be, any claims or rights it may have against any third party which would materially reduce the amount of damages otherwise incurred by such Indemnified Party.

ARTICLE IX

MAINTENANCE AND REPAIRS

9.1 Maintenance and Repair.

(a) Except as provided in Section 9.1(b), Lessee will, or will

cause the Manager to, keep the Leased Property and all parts thereof, including without limitation, all private roadways, sidewalks, curbs and other appurtenances thereto that are under Lessee's control, and including without limitation windows and plate glass, parking lots, HVAC, mechanical, electrical and plumbing systems and equipment (including conduit and ductware), in good order and repair and, if applicable, in compliance with the standards of the Management Agreement (whether or not the need for such repairs occurred as a Property or any portion thereof) ordinary wear and tear excepted except for the obligation to make necessary and appropriate repairs, replacements and improvements as provided in this Section 9.1(a), and, except as otherwise

provided in Section 9.1(b), Article XIV or Article XV, with reasonable -----

promptness, make all necessary and appropriate repairs, replacements and improvements thereto of every kind and nature, whether interior or exterior ordinary or extraordinary, foreseen or unforeseen or arising by reason of a condition existing prior to the commencement of the Term of this Lease (concealed or otherwise), or required by any governmental agency having jurisdiction over the Leased Property. All repairs shall, to the extent reasonably achievable, be at least equivalent in quality to the original work. Lessee will not take or omit to take any action, the taking or omission of which might materially impair the value or the usefulness of the Leased Property or any part thereof for its Primary Intended Use. If Lessee fails to make any required repairs or replacements after fifteen (15) days notice from Lessor, or after such longer period as may be reasonably required provided that Lessee at all times diligently proceeds with such repair or replacement, then Lessor shall have the right, but shall not be obligated, to make such repairs or replacements on behalf of and for the account of Lessee. In such event, such work shall be paid for in full by Lessee as Additional Charges.

(b) Notwithstanding Lessee's obligations under Section 9.1(a)

above but subject to the limitations on Lessor's obligations for Capital Expenditures set forth in Article XXXVIII and the terms and conditions set forth -----

in Article 8 of the Management Agreement, unless caused

by Lessee's negligence or willful misconduct or that of its employees, contractor or agents, Lessor shall be required to make all Capital Expenditures. Except as set forth in the preceding sentence, Lessor shall not under any circumstances be required to build or rebuild any improvement on the Leased Property, or to make any repairs, replacements, alterations, restorations or renewals of any nature or description to the Leased Property, whether ordinary or extraordinary, foreseen or unforeseen, or to make any expenditure whatsoever with respect thereto, in connection with this Lease, or to maintain the Leased Property in any way. Lessee hereby waives, to the extent permitted by law, the right to make repairs at the expense of Lessor pursuant to any law in effect at the time of the execution of this Lease or hereafter enacted. Lessor shall have the right to give, record and post, as appropriate, notices of nonresponsibility under any mechanic's lien laws now or hereafter existing.

(c) Nothing contained in this Lease and no action or inaction by Lessor shall be construed as (1) constituting the request of Lessor, expressed or implied, to any contractor, subcontractor, laborer, materialman or vendor to or for the performance of any labor or services or the furnishing of any materials or other property for the construction, alteration, addition, repair or demolition of or to the Leased Property or any part thereof, or (2) giving Lessee any right, power or permission to contract for or permit the performance of any labor or services or the furnishing of any materials or other property in such fashion as would permit the making of any claim against Lessor and any ground lessor(s) in respect thereof or to make any agreement that may create, or in any way be the basis for any right, title, interest, lien, claim or other encumbrance upon the estate of Lessor in the Leased Property, or any portion thereof.

(d) Lessee will, upon the expiration or prior termination of the Term, vacate and surrender the Leased Property to Lessor in the condition in which the Leased Property was originally received from Lessor, except as repaired, rebuilt, restored, altered or added to as permitted or required by the provisions of this Lease and except for ordinary wear and tear (subject to the obligation of Lessee to maintain the Leased Property in good order and repair in accordance with Section 9.1(a) above, as would a prudent owner of comparable

property, during the entire Term) or damage by casualty or Condemnation (subject to the obligation of Lessee to restore or repair as set forth in this Lease.)

ARTICLE X

- - - - - - - - - -

ALTERATIONS

10.1 Alterations. Subject to first obtaining the written approval of

Lessor (except only as and to the extent, if any, that Manager has such rights to make alterations pursuant to the Management Agreement without first obtaining the Lessee's prior approval), Lessee may, but shall not be obligated to, if and to the extent permitted pursuant to the Management Agreement, make such additions, modifications or improvements to the Leased Property from time to time as Lessee deems desirable for its permitted uses and purposes, provided that such action will not alter the character or purposes of the Leased Property or detract from the value or operating efficiency thereof and will not impair the revenue-producing capability of the Leased Property or adversely affect the ability of the Lessee or Lessor to comply with the provisions of this Lease. All such

work shall be performed in a first class manner in accordance with all applicable governmental rules and regulations and after receipt of all required permits and licenses. If required by Lessor all such work shall be covered by performance bonds issued by bonding companies reasonably acceptable to Lessor. The cost of such additions, modifications or improvements to the Leased Property shall be paid by Lessee, and all such additions, modifications and improvements shall, without payment by Lessor at any time, be included under the terms of this Lease and upon expiration or earlier termination of this Lease shall pass to and become the property of Lessor.

10.2 Salvage. All materials which are scrapped or removed in connection with the making of repairs required by Articles IX or X shall be or become the property of Lessor or Lessee depending on which party is paying for

or providing the financing for such work.

10.3 Lessor Alterations. Lessor shall have the right, without

Lessee's consent (unless Manager's consent is required pursuant to the Management Agreement), to make or cause to be made alterations and additions to the Leased Property required in connection with (i) Emergency Situations, (ii) Legal Requirements, (iii) maintenance of the Management Agreement, and (iv) the performance by Lessor of its obligations under this Lease. Without Lessee's consent (unless Manager's consent is required pursuant to the Management Agreement), Lessor shall further have the right, but not the obligation, to make such other additions to the Leased Property as it may reasonably deem appropriate during the Term of this Lease. All such work unless necessitated by Lessee's acts or omissions or unless otherwise required to be performed by Lessee under this Lease (in which event work shall be paid for by Lessee) shall be performed at Lessor's expense, in compliance with all Legal Requirements, in a good and workmanlike manner and shall be done after reasonable notice to and coordination with Lessee, so as to minimize any disruptions or interference with the operation of the Facility.

ARTICLE XI

I TENS

11.1 Liens. Subject to the provision of Article XII relating to

permitted contests, Lessee will not directly or indirectly create or allow to remain and will promptly discharge at its expense any lien, encumbrance, attachment, title retention agreement or claim upon the Leased Property resulting from the action or inaction of Lessee, or any attachment, levy, claim or encumbrance in respect of the Rent, excluding, however, (a) this Lease, (b) the matters, if any, included as exceptions or insured against in the title policy insuring Lessor's interest in the Leased Property, (c) restrictions, liens and other encumbrances which are consented to in writing by Lessor, (d) liens for those taxes which Lessee is not required to pay hereunder, (e) subleases permitted by Article XXI hereof, (f) liens for Impositions or for sums

resulting from noncompliance with Legal Requirements to the extent Lessee is responsible hereunder for such compliance so long as (1) the same are not yet delinquent or (2) such liens are in the process of being contested as permitted by Article XII, (g) liens of mechanics, laborers, suppliers or vendors for sums

either disputed or not yet due provided that any such liens for disputed sums are in the process of being contested as permitted by Article XII hereof, and

(h) any liens which are the responsibility of Lessor pursuant to the provisions of this Lease.

PERMITTED CONTESTS

12.1 Permitted Contests. Lessee shall have the right to contest the

amount or validity of any Imposition to be paid by Lessee or any Legal Requirement to be satisfied by Lessee hereunder or any lien, attachment, levy, encumbrance, charge or claim (any such Imposition, Legal Requirement, lien, attachment, levy, encumbrance, charge or claim herein referred to as "Claims")

not otherwise permitted by Article XI, by appropriate legal proceedings in good

faith and with due diligence (but this shall not be deemed or construed in any way to relieve, modify or extend Lessee's covenants to pay or its covenants to cause to be paid any such charges at the time and in the manner as in this Article provided), on condition, however, that such legal proceedings shall not operate to relieve Lessee from its obligations hereunder and shall not cause the sale or risk the loss of any portion of the Leased Property, or any part thereof, or cause Lessor or Lessee to be in default under any mortgage, deed of trust, security deed or other agreement encumbering the Leased Property or any interest therein. Upon the request of Lessor, as security for the payment of such Claims, Lessee shall either (a) provide a bond or other assurance reasonably satisfactory to Lessor (and satisfactory to any Holder, if approval thereof is required by such Holder's Mortgage) that all Claims which may be assessed against the Leased Property together with interest and penalties, if any, thereon and legal fees anticipated to be incurred in connection therewith will be paid, or (b) deposit within the time otherwise required for payment with a bank or trust company designated by Lessor as trustee upon terms reasonably satisfactory to Lessor, or with any Holder upon terms satisfactory to such Holder, money in an amount sufficient to pay the same, together with interest and penalties thereon and legal fees anticipated to be incurred in connection therewith, as to all Claims which may be assessed against or become a Claim on the Leased Property, or any part thereof, in said legal proceedings. Lessee shall furnish Lessor and any Holder with reasonable evidence of such deposit within five days of the same. Lessor agrees to join in any such proceedings if the same be required to legally prosecute such contest of the validity of such Claims; provided, however, that Lessor shall not thereby be subjected to any liability for the payment of any costs or expenses in connection with any proceedings brought by Lessee; and Lessee covenants to indemnify and save harmless Lessor from any such costs or expenses. Lessee shall be entitled to any refund of any Claims and such charges and penalties or interest thereon which have been paid by Lessee or paid by Lessor and for which Lessor has been fully reimbursed. In the event that Lessee fails to pay any Claims when due or to provide the security therefor as provided in this paragraph and to diligently prosecute any contest of the same, Lessor may, upon ten days advance Notice to Lessee, pay such charges together with any interest and penalties and the same shall be repayable by Lessee to Lessor as Additional Charges at the next Payment Date provided for in this Lease. Provided, however, that should Lessor reasonably determine that the giving of such Notice would risk loss to the Leased Property or cause damage to Lessor, then Lessor shall only give such Notice as is practical under the circumstances. Lessor reserves the right to contest any of the Claims at its expense not pursued by Lessee. Lessor and Lessee agree to cooperate in coordinating the contest of any Claims.

INSURANCE

- - - - - - - - -

13.1 General Insurance Requirements.

(a) Coverages. During the Term of this Lease, the Leased

Property shall at all times be insured with the kinds and amounts of insurance described below. This insurance shall be written by companies authorized to issue insurance in the State. The policies must name the party obtaining the policy as the insured and the other party as an additional named insured, and the Manager shall also be named as an additional insured under the coverages described in Sections 13.1(a)(iv) through (xi). Losses shall be payable to

Lessor or Lessee as provided in this Lease. Any loss adjustment for coverages insuring both parties shall require the written consent of Lessor and Lessee, each acting reasonably and in good faith. Evidence of insurance shall be deposited with Lessor. The policies on the Leased Property, including the Leased Improvements, Fixtures and Lessee's Personal Property, shall at all times satisfy the requirements of the Management Agreement and of any ground lease, mortgage, security agreement or other financing lien affecting the Leased Property and at a minimum shall include:

> Building insurance on the "Special Form" (formerly "All Risk" form) (including earthquake and flood in reasonable amounts if and as determined by Lessor) in an amount not less than 100% of the then full replacement cost thereof (as defined in Section 13.2) or such other amount which is acceptable to

> Lessor, and personal property insurance on the "Special Form" in the full amount of the replacement cost thereof;

Insurance for loss or damage (direct and indirect) from steam boilers, pressure vessels or similar apparatus, air conditioning systems, piping and machinery, and sprinklers, if any, now or hereafter installed in the Facility, in the minimum amount of \$5,000,000 or in such greater amounts as are then customary or as may be reasonably requested by Lessor from time to time;

Loss of income insurance on the "Special Form", in the amount of one year of the greater of (a) Base Rent, or (b) Percentage Rent (based on the last Lease Year of operation or, to the extent the Leased Property has not been operated for an entire 12-month Lease Year, based on prorated Percentage Rent) for the benefit of Lessor, and business interruption insurance on the "Special Form" in the amount of one year of gross profit, for the benefit of Lessee;

Commercial general liability insurance, with contractual indemnity endorsement, with amounts not less than \$1,000,000 combined single limit for each occurrence and \$2,000,000 for the aggregate of all occurrences within each policy year, as well as excess liability (umbrella) insurance with limits of at least \$50,000,000 per occurrence, covering each of the following: bodily injury, death, or property damage liability per occurrence, personal injury, general aggregate,

products and completed operations with respect to Lessee, and "all risk legal liability" (including liquor law or "dram shop" liability, if liquor or alcoholic beverages are served on the Leased Property) with respect to Lessor and Lessee;

Fidelity bonds or blanket crime policies with limits and deductibles as may be reasonably determined by Lessor, covering Lessee's employees in job classifications normally bonded under prudent hotel management practices in the United States or otherwise required by law;

Workers' compensation insurance to the extent necessary to protect Lessor, Lessee and the Leased Property against Lessee's workman's compensation claims to the extent required by applicable state laws;

Comprehensive form vehicle liability insurance for owned, non-owned, and hired vehicles, in the amount of \$1,000,000;

Garagekeeper's legal liability insurance covering both comprehensive and collision-type losses with a limit of liability of \$3,000,000 for any one occurrence, of which coverage in excess of \$1,000,000 may be provided by way of an excess liability policy;

Innkeeper's legal liability insurance covering property of guests while on the Leased Property for which Lessor is legally responsible with a limit of not less than \$5,000 in any one occurrence or \$25,000 annual aggregate;

Safe deposit box legal liability insurance covering property of guests while in a safe deposit box on the Leased Property for which Lessor is legally responsible with a limit of not less than \$100,000 in any one occurrence; and

Insurance covering such other hazards (such as plate glass or other common risks) and in such amounts as may be (A) required by a Holder, or (B) customary for comparable properties in the area of the Leased Property and is available from insurance companies, insurance pools or other appropriate companies authorized to do business in the State at rates which are economically practicable in relation to the risks covered as may be reasonably determined by Lessor.

(b) Responsibility for Insurance. Lessee shall obtain the

insurance and pay the premiums for the coverages described in Sections

13.1(a)(iv) through (x), and Lessor shall obtain the insurance and pay the \cdots

premiums for the coverages described in Sections 13.1(a)(i) through (iii), provided that Lessee shall reimburse Lessor immediately after demand therefor

for any premiums paid by Lessor for the coverages required under Section

13.1(a)(i) to the extent that the premiums relate to coverages for property

owned by Lessee or coverages which benefit Lessee. Insurance required by Section

13.1(a)(xi) shall be obtained and paid for by Lessor to the extent that it relates to risks of the type covered by the insurance obtained pursuant to

Sections 13.1(a)(i)

through (iii), and obtained and paid for by Lessee if it relates to risks of the

type covered by the insurance obtained pursuant to Sections 13.1(a)(iv) through

(x). The party responsible for the premium for any insurance coverage shall also

be responsible for any and all deductibles and self-insured retentions in connection with such coverages. In the event that either party can obtain comparable insurance coverage required to be carried by the other party from comparable insurers and at a cost significantly less than that at which such other party can obtain such coverage, the parties shall cooperate in good faith to obtain such coverage at the lower cost and shall allocate the premiums therefor in accordance with the provisions of the first sentence of this Section

13.1(b). In addition to the rights set forth in Sections 17.1 and 39.1, if any $% \left({\left[{{{\left[{{D_{\rm{s}}} \right]}} \right]_{\rm{s}}}} \right)$

party responsible for obtaining and maintaining the insurance required under this Lease fails to do so or fails to obtain renewals or substitutions therefor at least fifteen (15) days before such insurance will lapse, the other party may obtain such insurance and the defaulting party shall reimburse the party obtaining such insurance for the cost thereof promptly upon demand, together with interest thereon at the Overdue Rate until such cost is repaid by the defaulting party.

Article XII of the Management Agreement.

13.2 Replacement Cost. The term "full replacement cost" as used

herein shall mean the actual replacement cost of the Leased Property requiring replacement from time to time including an increased cost of construction endorsement, if available, and the cost of debris removal. In the event either party believes that full replacement cost has increased or decreased at any time during the Term, it shall have the right to have such full replacement cost redetermined.

13.3 (Intentionally deleted)

13.4 Waiver of Subrogation. Lessor and Lessee each waive any and all

rights of recovery against the other (and against the partners, officers, employees and agents of the other party) for loss of or damage to such waiving party or its property or the property of others under its control, to the extent such loss or damage is covered by, or in the event the responsible party fails to maintain the required insurance hereunder, would have been covered by, the insurance required to be obtained by such waiving party under Sections 13.1(a)

through (iii); provided, however, that this waiver does not apply to any rights

that either party may have to insurance proceeds from their respective insurance policies at the time of such loss or damage. In obtaining policies of property insurance on their respective interests in the personal property and improvements located in the Leased Property, Lessor and Lessee shall give notice to their respective insurance carriers that the foregoing mutual waiver of subrogation is contained in this Lease; and Lessor and Lessee shall each obtain from their insurance carriers a consent to such waiver.

13.5 Form Satisfactory, etc. All of the policies of insurance

referred to in this Article XIII shall be written in a form, with deductibles

and by insurance companies satisfactory to Lessor and shall satisfy the requirements of any ground lease, mortgage, security agreement or

⁴⁰

other financing lien, if any, on the Leased Property and of the Management Agreement. The party responsible for obtaining any policy shall pay all of the premiums therefor, and deliver copies of such policies or certificates thereof to the other party prior to their effective date (and, with respect to any renewal policy, thirty (30) days prior to the expiration of the existing policy), and in the event of the failure of the responsible party either to effect such insurance as herein called for or to pay the premiums therefor, or to deliver such policies or certificates thereof to the other party at the times required, such other party shall be entitled, but shall have no obligation, after ten (10) days' Notice if required to prevent the expiration of any existing policy), to effect such insurance and pay the premiums therefor, and to be reimbursed for any such premiums upon written demand therefor. Each insurer mentioned in this Article XIII shall agree, by endorsement to the policy or policies issued by it,

or by independent instrument furnished to the party not responsible hereunder for obtaining such policy, that it will give to such party thirty (30) days' written notice before the policy or policies in question shall be materially altered, allowed to expire or canceled.

13.6 Increase in Limits. If either Lessor or Lessee at any time

deems the limits of the personal injury or property damage under the comprehensive public liability insurance then carried to be either excessive or insufficient, Lessor and Lessee shall endeavor in good faith to agree on the proper and reasonable limits for such insurance to be carried and such insurance shall thereafter be carried with the limits thus agreed on until further change pursuant to the provisions of this Section. If the parties fail to agree on such limits, the matter shall be referred to arbitration as provided for in Section 40.1. However, in no event shall such limits fail to satisfy the

requirements of the Management Agreement and of any ground lease, Mortgage, security agreement or other financing lien, if any, affecting the Leased Property.

13.7 Blanket Policy. Notwithstanding anything to the contrary

contained in this Article XIII, Lessee or Lessor may bring the insurance

provided for herein within the coverage of a so-called blanket policy or policies of insurance carried and maintained by Lessee or Lessor; provided, however, that the coverage afforded to Lessor and Lessee will not be reduced or diminished or otherwise be different from that which would exist under a separate policy meeting all other requirements of this Lease by reason of the use of such blanket policy of insurance, and provided further that the requirements of this Article XIII are otherwise satisfied.

13.8 Separate Insurance. Neither Lessor nor Lessee shall on its own

initiative or pursuant to the request or requirement of any third party, take out separate insurance concurrent in form or contributing in the event of loss with that required in this Article to be furnished, or increase the amount of any then existing insurance by securing an additional policy or additional policies, unless all parties having an insurable interest in the subject matter of the insurance, including in all cases Lessor, are included therein as additional insureds, and the loss is payable under such additional separate insurance in the same manner as losses are payable under this Lease. Each party shall immediately notify the other party that it has obtained any such separate insurance or of the increasing of any of the amounts of the then existing insurance.

13.9 Reports On Insurance Claims. Lessee shall promptly investigate and make a complete and timely written report to the appropriate insurance company as to all accidents, all

claims for damage relating to the ownership, operation, and maintenance of the Facility, and any damage or destruction to the Facility and the estimated cost of repair thereof and shall prepare any and all reports required by any insurance company in connection therewith. All such reports shall be timely filed with the insurance company as required under the terms of the insurance policy involved, and a copy of all such reports shall be furnished to Lessor.

ARTICLE XIV

DAMAGE AND RECONSTRUCTION

14.1 Insurance Proceeds. Except as and to the extent set forth in

the Management Agreement, all proceeds of the insurance contemplated by Sections

13.1(a)(i) and (ii) payable by reason of any loss or damage to the Leased

Property, or any portion thereof, and insured under any policy of insurance required by Article XIII of this Lease shall be paid to Lessor and made

available, if applicable, for reconstruction or repair, as the case may be, of any damage to or destruction of the Leased Property or any portion thereof, and, if applicable, shall be paid out by Lessor from time to time for the reasonable costs of such reconstruction or repair upon satisfaction of reasonable terms and conditions specified by Lessor. Any excess proceeds of insurance remaining after the completion of the restoration or reconstruction of the Leased Property shall be paid to Lessor. If neither Lessor nor Lessee is required or elects to repair and restore, and the Lease is terminated as described in Section 14.2,

all such insurance proceeds shall be retained by Lessor except for any amount thereof paid with respect to Lessee's Personal Property. All salvage resulting from any risk covered by insurance shall belong to Lessor, except to the extent of salvage relating to Lessee's Personal Property.

14.2 Reconstruction in the Event of Damage or Destruction Covered by Insurance.

(a) If during the Term the Leased Property is totally or partially destroyed by a risk covered by the insurance described in Article XIII $\,$

and the Facility thereby is rendered Unsuitable or Uneconomic for its Primary Intended Use, this Lease shall (if and to the extent the Management Agreement may be terminated pursuant to Article 15 thereof) terminate as of the date of

the casualty and neither Lessor nor Lessee shall have any further liability hereunder except for any liabilities which have arisen prior to or which survive such termination, and Lessor shall be entitled to retain all insurance proceeds except for any amount thereof paid with respect to Lessee's Personal Property.

(b) If during the Term the Leased Property is partially destroyed by a risk covered by the insurance described in Article XIII, but the

Facility is not thereby rendered Unsuitable or Uneconomic for its Primary Intended Use, Lessor or, at the election of Lessor (unless required pursuant to Article 15 of the Management Agreement), Lessee shall restore the Facility to

substantially the same condition as existed immediately before the damage or destruction and otherwise in accordance with the terms of this Lease, and this Lease shall not terminate as a result of such damage or destruction. If Lessee restores the Facility, the insurance proceeds shall be paid out by Lessor from time to time for the reasonable costs of such restoration upon satisfaction of terms and conditions specified by Lessor, and any excess proceeds remaining

after such restoration shall be paid to Lessor except for any amount thereof paid with respect to Lessee's Personal Property.

(c) If the Facility is to be restored in accordance with the provisions of Section 14.2(b) or otherwise and if the cost of the repair or

restoration exceeds the amount of proceeds received by Lessor from the insurance required under Article XIII, Lessor shall agree to contribute any excess amounts

needed to restore the Facility prior to requiring Lessee to commence such work. Such difference shall be made available by Lessor, together with any other insurance proceeds, for application to the cost of repair and restoration in accordance with the provisions of Section 14.2(b).

14.3 Reconstruction in the Event of Damage or Destruction Not Covered by Insurance. If during the Term the Facility is totally or materially damaged

or destroyed by a risk not covered by the insurance described in Article XIII,

or if the Holder will not make the proceeds of such insurance available to Lessor for restoration of the Facility, unless in either event such damage or destruction renders the Facility Unsuitable or Uneconomic for its Primary Intended Use, Lessor at its option shall either, (a) at Lessor's sole cost and expense, restore the Facility to substantially the same condition it was in immediately before such damage or destruction and this Lease shall not terminate as a result of such damage or destruction, or (b) terminate the Lease (if and to the extent the Management Agreement may be terminated pursuant to Article 15

thereof) and neither Lessor nor Lessee shall have any further liability thereunder except for any liabilities which have arisen or occurred prior to such termination and those which expressly survive termination of this Lease. If such damage or destruction is determined by Lessor not to be material, Lessor may, at Lessor's sole cost and expense, restore the Facility to substantially the same condition as existed immediately before the damage or destruction and otherwise in accordance with the terms of the Lease, and this Lease shall not terminate as a result of such damage or destruction.

14.4 Lessee's Property and Business Interruption Insurance. All

insurance proceeds payable by reason of any loss of or damage to any of Lessee's Personal Property and the business interruption insurance maintained for the benefit of Lessee shall be paid to Lessee; provided, however, no such payments shall diminish or reduce the insurance payments otherwise payable to or for the benefit of Lessor hereunder.

14.5 Abatement of Rent. Any damage or destruction due to casualty

notwithstanding, this Lease shall remain in full force and effect and Lessee's obligation to pay Rent required by this Lease shall remain unabated by any damage or destruction which does not result in a reduction of Gross Revenues. If and to the extent that any damage or destruction results in a reduction of Gross Revenues which would otherwise be realizable from the operation of the Facility, then Lessor shall receive all loss of income insurance and Lessee shall have no obligation to pay Rent in excess of the amount of Percentage Rent, if any, realizable from Gross Revenues generated by the operation of the Leased Property during the existence of such damage or destruction; provided, however, that if such damage or destruction was caused by Lessee's gross negligence or willful misconduct, Lessee shall remain liable for the amount of Rent which would have been payable hereunder at a rate equal to the average Rent during the last three preceding 12-month Lease Years (or if three 12-month Lease Years shall not have elapsed, the average during the preceding 12-

month Lease Years or if one Lease Year has not elapsed, the amount derived by annualizing the Percentage Rent from the Commencement Date of this Lease) as if such damage or destruction had not occurred.

ARTICLE XV

CONDEMNATION

15.1 Definitions.

(a) "Condemnation" means a Taking resulting from (1) the

exercise of any governmental power, whether by legal proceedings or otherwise, by a Condemnor, and (2) a voluntary sale or transfer by Lessor to any Condemnor, either under threat of condemnation or while legal proceedings for condemnation are pending.

(b) "Date of Taking" means the date the Condemnor has the right

to possession of the property being condemned.

(c) "Award" means all compensation, sums or anything of value

awarded, paid or received on a total or partial Condemnation.

(d) "Condemnor" means any public or quasi-public authority, or

private corporation or individual, having the power of Condemnation.

15.2 Parties' Rights and Obligations. If during the Term there is

any Condemnation of all or any part of the Leased Property or any interest in this Lease, the rights and obligations of Lessor and Lessee shall be determined by this Article XV.

15.3 Total Taking. If title to the fee of the whole of the Leased

Property is condemned by any Condemnor, this Lease shall cease and terminate as of the Date of Taking by the Condemnor. If title to the fee of less than the whole of the Leased Property is so taken or condemned, which nevertheless renders the Leased Property Unsuitable or Uneconomic for its Primary Intended Use, then either Lessee or Lessor shall have the option, by notice to the other, at any time prior to the Date of Taking, to terminate this Lease as of the Date of Taking. Upon such date, if such Notice has been given, this Lease shall thereupon cease and terminate. All Base Rent, Percentage Rent and Additional Charges paid or payable by Lessee hereunder shall be apportioned as of the Date of Taking, and Lessee shall promptly pay Lessor such amounts.

15.4 Allocation of Award. The total Award made with respect to the

Leased Property or for loss of rent, or for Lessor's loss of business beyond the Term, shall be solely the property of and payable to Lessor. Any Award made for loss of Lessee's business during the remaining Term, if any, for the taking of Lessee's Personal Property, or for removal and relocation expenses of Lessee in any such proceedings shall be the sole property of and payable to Lessee. In any Condemnation proceedings Lessor and Lessee shall each seek its Award in conformity herewith,

at its respective expense; provided, however, neither Lessor nor Lessee shall initiate, prosecute or acquiesce in any proceedings that may result in a diminution of any Award payable to the other.

15.5 Partial Taking.

(a) If title to less than the whole of the Leased Property is condemned, and the Leased Property is not Unsuitable or Uneconomic for its Primary Intended Use, or if Lessor and Lessee are entitled but elect not to terminate this Lease as provided in Section 15.3, then Lessor or, at Lessor's

election, Lessee shall, with all reasonable dispatch and to the extent that the Holder permits the application of the Award therefor and the Award to be contributed to restoration as provided in this Section 15.5(a) is sufficient

therefor, restore the untaken portion of any Leased Improvements so that such Leased Improvements constitute a complete architectural unit of the same general character and condition (as nearly as may be possible under the circumstances) as the Leased Improvements existing immediately prior to the Condemnation. Lessor and Lessee shall each contribute to the cost of restoration that part of its Award specifically allocated to such restoration, if any, together with severance and other damages awarded for the taken Leased Improvements; provided, however, that the amount of such contribution shall not exceed such cost.

(b) In the event of a partial Taking as described in Section

15.5(a) which does not result in a termination of this Lease by Lessor, the Base $\overline{\ }$

Rent shall be abated in the manner and to the extent that is fair, just and equitable to both Lessee and Lessor, taking into consideration, among other relevant factors, the number of usable rooms, the amount of square footage, or the revenues affected by such partial Taking. If Lessor and Lessee are unable to agree upon the amount of such abatement within thirty (30) days after such partial Taking, the matter shall be submitted to Arbitration as provided for in Section 40.2 hereof.

15.6 Temporary Taking. If the whole or any part of the Leased

Property or of Lessee's interest under this Lease is condemned by any Condemnor for its temporary use or occupancy, this Lease shall not terminate by reason thereof, and Lessee shall continue to pay, in the manner and at the times herein specified, the full amounts of Base Rent, Percentage Rent and Additional Charges realizable from Gross Revenues generated by the Leased Property during such period, together with additional amounts of Rent, if any, to the extent of the remaining balance, if any, of the Award made to Lessee for such Condemnation allocable to the Term (after payment of Base Rent and Additional Charges), Lessee shall pay Percentage Rent at a rate equal to the average Percentage Rent during the last three preceding 12-month Lease Years (or if three 12-month Lease Years). Except only to the extent that Lessee may be prevented from so doing pursuant to the terms of the order of the Condemnor, Lessee shall continue to perform and observe all of the other terms, covenants, conditions and obligations hereof on the part of the Lessee to be performed and observed, as though such Condemnation had not occurred. In the event of any Condemnation as in this Section 15.6 described, the entire amount of any Award made for such

Condemnation allocable to the Term of this Lease, whether paid by way of damages, rent or otherwise, shall be paid (a) directly to Lessee if the Award is payable by the Condemnor on a monthly basis, or (b) if payable by the Condemnor less frequently than on a monthly basis, the Award shall be paid to an

institutional trustee designated by Lessor or to the Holder of a Mortgage, if any, and made available to Lessee on terms reasonably satisfactory to Lessor or such Holder for application pursuant to the provisions of this Section 15.6.

Lessee covenants that upon the termination of any such period of temporary use or occupancy it will, to the extent that its Award is sufficient therefor and subject to Lessor's contribution as set forth below, restore the Leased Property as nearly as may be reasonably possible to the condition in which the same was immediately prior to such Condemnation, unless such period of temporary use or occupancy extends beyond the expiration of the Term, in which case Lessee shall not be required to make such restoration. If restoration is required hereunder, Lessor shall contribute to the cost of such restoration that portion of its entire Award that is specifically allocated to such restoration in the judgment or order of the court, if any.

ARTICLE XVI

DEFAULTS

16.1 Events of Default. Any one or more of the following events shall constitute an Event of Default (herein so called) hereunder:

(a) if Lessee fails to make any payment of Base Rent or Percentage Rent within ten (10) days after receipt by the Lessee of Notice from Lessor that the same has become due and payable, provided that Lessor shall not be required to give any such Notice more than once in any Lease Year and that any second or subsequent failure by Lessee during such Lease Year to make any payment of Base Rent or Percentage Rent on the date the same becomes due and payable shall constitute an immediate Event of Default; or

(b) if Lessee fails to make any payment of Additional Charges within ten (10) days after receipt by Lessee of Notice from Lessor that the same has become due and payable; or

(c) if Lessee fails to observe or perform any other term, covenant or condition of this Lease and such failure is not curable, or if curable is not cured by Lessee within a period of thirty (30) days after receipt by the Lessee of Notice thereof from Lessor, unless such failure is curable but cannot with due diligence be cured within a period of thirty (30) days, in which case it shall not be deemed an Event of Default if (i) Lessee, within such thirty (30) day period, proceeds with due diligence to cure the failure and thereafter diligently completes the curing thereof within 120 days of Lessor's Notice to Lessee, which 120-day period shall cease to run during any period that a cure of such failure is prevented by an Unavoidable Delay and shall resume running upon the cessation of such Unavoidable Delay, and (ii) the failure does not result in a notice or declaration of default under any material contract or agreement to which Lessor, the Company, or any Affiliate of either of them is a party or by which any of their assets are bound; or

(d) if Lessee shall (i) be generally not paying its debts as they become due, (ii) file, or consent by answer or otherwise to the filing against it of, a petition for relief or reorganization or arrangement or any other petition in bankruptcy, for liquidation or to take

advantage of any bankruptcy or insolvency law of any jurisdiction, (iii) make an assignment for the benefit of its creditors, (iv) consent to the appointment of a custodian, receiver, trustee or other officer with similar powers with respect to it or with respect to any substantial part of its assets, (v) be adjudicated insolvent, or (vi) take corporate action for the purpose of any of the foregoing; or if a court or governmental authority of competent jurisdiction shall enter an order appointing, without consent by Lessee, a custodian, receiver, trustee or other officer with similar powers with respect to it or with respect to any substantial part of its assets, or if an order for relief shall be entered in any case or proceeding for liquidation or reorganization or otherwise to take advantage of any bankruptcy or insolvency law of any jurisdiction, or ordering the dissolution, winding-up or liquidation of Lessee, or if any petition for any such relief shall be filed against Lessee and such petition shall not be dismissed within sixty (60) days; or

(e) if Lessee is liquidated or dissolved, or begins proceedings toward such liquidation or dissolution, or, in any manner, ceases to do business or permits the sale or divestiture of substantially all of its assets; or

(f) if the estate or interest of Lessee in the Leased Property or any part thereof is voluntarily or involuntarily transferred, assigned, conveyed, levied upon or attached in any Proceeding; or

(g) if, except as a result of and to the extent required by damage, destruction, Condemnation or Unavoidable Delay, Lessee ceases operations on the Leased Property; or

(h) if notice of a default or an event of default has been given by the Manager under the Management Agreement with respect to the Facility on the Leased Property as a result of any action or failure to act by the Lessee or any Person with whom the Lessee contracts at the Facility, which default or event of default is not cured within applicable cure periods and does not arise solely from Lessor's breach of any of its obligations under this Lease which are required to maintain the Management Agreement in effect;

 (i) if Manager shall default beyond any applicable notice and cure period (without extension or waiver by Lessee) under the Management Agreement;

(j) if an Event of Default occurs under any or all of the Other Leases; or

(k) if Lessee breaches any of the provisions of Article XXXV.

Notwithstanding anything to the contrary contained in Section

16.1(c), the cure periods set forth in Section 16.1(c) shall not apply to (i)

any intentional failure by Lessee to observe or perform any term, covenant or condition of this Lease, or (ii) any failure by Lessee to perform any term, covenant or condition for which a different grace or cure period is expressly set forth in any other provision of this Lease, and in either of the foregoing events such failure shall, after the expiration of any other grace or cure period expressly set forth elsewhere herein, constitute an immediate Event of Default.

If litigation is commenced with respect to any alleged default under this Lease, the prevailing party in such litigation shall receive, in addition to its damages incurred, such sum as the court shall determine as its reasonable attorneys' fees, and all costs and expenses incurred in connection therewith.

16.2 Remedies. Upon the occurrence of an ${\tt Event}$ of Default, Lessor

shall have the right, at Lessor's option, to elect to do any one or more of the following without further notice or demand to Lessee: (a) terminate this Lease, in which event Lessee shall immediately surrender the Leased Property to Lessor, and, if Lessee fails to so surrender, Lessor shall have the right, without notice, to enter upon and take possession of the Leased Property and to expel or remove Lessee and its effects without being liable for prosecution or any claim for damages therefor; and Lessee shall, and hereby agrees to, indemnify Lessor for all loss and damage which Lessor suffers by reason of such termination, including without limitation, damages in an amount equal to the total of (1) the reasonable costs of recovering the Leased Property in the event that Lessee does not promptly surrender the Leased Property, and all other reasonable expenses incurred by Lessor in connection with Lessee's default; (2) the unpaid Rent earned as of the date of termination, plus interest at the Overdue Rate accruing after the due date until such sums are paid by Lessee to Lessor; (3) the total Rent (including Percentage Rent as determined below) which Lessor would have received under this Lease for the remainder of the Term, but discounted to the then present value at a rate of fifteen percent (15%) per annum, less the fair market rental value of the balance of the Term as of the time of such default discounted to the then present value at a rate of fifteen percent (15%) per annum; and (4) all other sums of money and damages owing by Lessee to Lessor; or (b) enter upon and take possession of the Leased Property without terminating this Lease and without being liable for prosecution or any claim for damages therefor, and, if Lessor elects, relet the Leased Property on such terms as Lessor deems advisable, in which event Lessee shall pay to Lessor on demand the reasonable costs of repossessing and reletting the Leased Property and any deficiency between the Rent payable hereunder (including Percentage Rent as determined below) and the rent paid under such reletting; provided, however, that Lessee shall not be entitled to any excess payments received by Lessor from such reletting and Lessor's failure to relet the Leased Property shall not release or affect Lessee's liability for Rent or for damages; or (c) enter the Leased Property without terminating this Lease and without being liable for prosecution or any claim for damages therefor and maintain the Leased Property and repair or replace any damage thereto or do anything for which Lessee is responsible hereunder. Lessee shall reimburse Lessor immediately upon demand for any expense which Lessor incurs in thus effecting Lessee's compliance under this Lease, and Lessor shall not be liable to Lessee for any damages with respect thereto. Notwithstanding anything herein to the contrary, Lessee shall not be liable to Lessor for consequential, punitive or exemplary damages.

The rights granted to Lessor in this Section 16.2 shall be cumulative

of every other right or remedy provided in this Lease or which Lessor may otherwise have at law or in equity or by statute, and the exercise of one or more rights or remedies shall not prejudice or impair the concurrent or subsequent exercise of other rights or remedies or constitute a forfeiture or waiver of Rent or damages accruing to Lessor by reason of any Event of Default under this Lease.

equal to (i) the average of the annual amounts of the Percentage Rent for the three 12-month Lease Years immediately preceding the Lease Year in which the termination, re-entry or repossession takes place, or (ii) if three 12-month Lease Years shall not have elapsed, the average of the Percentage Rent during the preceding 12-month Lease Years during which the Lease was in effect, or (iii) if one Lease Year has not elapsed, the amount derived by annualizing the Percentage Rent from the effective date of this Lease.

16.3 Waiver. Each party waives, to the extent permitted by

applicable law, any right to a trial by jury in any proceedings brought by either party to enforce the provisions of this Lease, including, without limitation, proceedings to enforce the remedies set forth in this Article XVI,

and Lessee waives the benefit of any laws now or hereafter in force exempting property from liability for rent or for debt.

16.4 Application of Funds. Any payments received by Lessor under any

of the provisions of this Lease during the existence or continuance of any Event of Default shall be applied to Lessee's obligations in the order that Lessor may determine or as may be prescribed by the laws of the State.

ARTICLE XVII

LESSOR'S RIGHT TO CURE

17.1 Lessor's Right to Cure Lessee's Default. If Lessee fails to

make any payment or to perform any act required to be made or performed under this Lease including, without limitation, Lessee's failure to comply with the terms of any Management Agreement and fails to cure the same within the relevant time periods, if any, provided in Section 16.1 or elsewhere in this

Lease, Lessor, without waiving or releasing any obligation of Lessee, and without waiving or releasing any obligation or default, may (but shall be under no obligation to) at any time thereafter upon Notice to Lessee make such payment or perform such act for the account and at the expense of Lessee, and may, to the extent permitted by law, enter upon the Leased Property for such purpose and, subject to Section 16.2, take all such action thereon as, in Lessor's

opinion, may be necessary or appropriate therefor. No such entry shall be deemed an eviction of Lessee. All sums so paid by Lessor and all costs and expenses (including, without limitation, reasonable attorneys' fees and expenses, in each case to the extent permitted by law) so incurred, together with a late charge thereon (to the extent permitted by law) at the Overdue Rate from the date on which such sums or expenses are paid or incurred by Lessor until such sums or expenses are paid by Lesser to Lessor, shall constitute Additional Charges and shall be paid by Lessee to Lessor on demand. The obligations of Lessee and rights of Lessor contained in this Article shall survive the expiration or earlier termination of this Lease.

ARTICLE XVIII

LIMITATIONS

18.1 Personal Property Limitation. Anything contained in this Lease

to the contrary notwithstanding, (i) the average of the adjusted tax bases of the items of Lessor's personal property that are leased to the Lessee under this Lease at the beginning and at the end of any Lease Year shall not exceed 15% of the average of the aggregate adjusted tax bases of the Leased Property at the beginning and at the end of such Lease Year and (ii) the rent attributable to personal property leased hereunder with respect to any calendar shall not exceed 10% of the total rent under this Lease for such year (the limitations in the preceding clauses (i) and (ii) are referred to collectively as the "Personal

Property Limitation"). Lessor and Lessee shall at all times cooperate in good

faith and use their best efforts to permit Lessor to comply with the Personal Property Limitation, which compliance may include, by way of example only and not by way of limitation or obligation, the purchase by Lessee at fair market value of personal property in excess of the Personal Property Limitation. All such compliance shall be effected in a manner which has no material net economic detriment to Lessee and will not jeopardize the Company's status as a real estate investment trust under the applicable provisions of the Code. This Section 18.1 is intended to ensure that the Rent qualifies as (i) "rents from

real property," within the meaning of Section 856(d) of the Code, or any similar or successor provisions thereto, and (ii) excluded "rents" described in Section 512(b)(3)(A) of the Code or any similar or successor provision thereto, and shall be interpreted in a manner consistent with such intent.

18.2 Sublease Rent Limitation. Anything contained in this Lease to

the contrary notwithstanding, Lessee shall not sublet the Leased Property or enter into any licenses or concessions or enter into any similar arrangement on any basis such that the rental or other amounts to be paid by the sublessee thereunder would be based, in whole or in part, on either (a) the net income or profits derived by the business activities of the sublessee, licensee, or concessionaire, or (b) any other formula such that any portion of the Rent would fail to qualify as "rents from real property" within the meaning of Section 856(d) of the Code, or any similar or successor provision thereto.

${\tt 18.3}$ Sublease Lessee Limitation. Anything contained in this Lease to

the contrary notwithstanding, Lessee shall not sublease the Leased Property to, or enter into any license, concession or similar arrangement with, any Person in which the Company owns, directly or indirectly, a 10% or more interest, within the meaning of Section 856(d)(2)(B) of the Code, or any Person in which Boston Properties Limited Partnership owns, directly or indirectly, a ten percent (10%) or more interest within the meaning of the same section as modified by Section 7704(d)(3)(B) of the Code or any similar or successor provisions thereto.

18.4 $\ \mbox{Lessee}$ Ownership Limitation. Anything contained in this Lease

to the contrary notwithstanding, Lessor shall not take, or permit an Affiliate of Lessor to take, any action that would cause the Company to own, directly or indirectly, a 10% or more interest in the Lessee within the meaning of Section 856(d)(2)(B) of the Code, or that would cause Boston Properties Limited Partnership to own, directly or indirectly, a ten percent (10%) or more interest in the Lessee within the meaning of the same Section as modified by Section 7704(d)(3)(B) of the Code, or any similar or successor provisions thereto. Anything contained in this Lesse to the contrary notwithstanding, Lessee shall not take, or permit an Affiliate of Lessee to take, any action that would cause the Company to own, directly or indirectly, a 10% or more interest in the

Lessee within the meaning of Section 856(d)(2)(B) of the Code, or that would cause Boston Properties Limited Partnership to own, directly or indirectly, a ten percent (10%) or more interest in the Lessee within the meaning of the same Section as modified by Section 7704(d)(3)(B) of the Code, or any similar or successor provisions thereto. Any transfer of interests in the Lessee pursuant to Section 35.4 shall be deemed to be an action of Lessee for purposes of this Section 18.4.

18.5 Schedule of Owners. Upon the Commencement Date, Lessee shall

provide to Lessor a schedule of all owners of interests in Lessee who own of record or beneficially ten percent (10%) or more of the outstanding ownership interests in Lessee. During the Term, Lessee shall promptly provide Lessor with Notice of any changes in the foregoing schedule. Lessee shall from time to time provide such information as Lessor may reasonably request to verify Lessee's compliance with Section 18.4 and this Section 18.5.

ARTICLE XIX

HOLDING OVER

19.1 Holding Over. If Lessee for any reason remains in possession of

the Leased Property after the expiration or earlier termination of the Term, such possession shall be as a tenant at sufferance during which time Lessee shall pay as rental each month two times the aggregate of (a) one-twelfth of the aggregate Base Rent and Percentage Rent payable with respect to the last Lease Year of the Term, (b) all Additional Charges accruing during the applicable month and (c) all other sums, if any, payable by Lessee under this Lease with respect to the Leased Property. During such period, Lessee shall be obligated to perform and observe all of the terms, covenants and conditions of this Lease, but shall have no rights hereunder other than the right, to the extent given by law to tenancies at sufferance, to continue its occupancy and use of the Leased Property. Nothing contained herein shall constitute the consent, express or implied, of Lessor to the holding over of Lessee after the expiration or earlier termination of this Lease.

ARTICLE XX

.

INDEMNITIES

20.1 Indemnification.

(a) LESSEE WILL PROTECT, INDEMNIFY, HOLD HARMLESS AND DEFEND LESSOR INDEMNIFIED PARTIES FROM AND AGAINST ALL LIABILITIES, OBLIGATIONS, CLAIMS, DAMAGES, PENALTIES, CAUSES OF ACTION, COSTS AND EXPENSES (INCLUDING, WITHOUT LIMITATION, REASONABLE ATTORNEYS' FEES AND EXPENSES), TO THE EXTENT PERMITTED BY LAW, INCLUDING THOSE RESULTING FROM A LESSOR INDEMNIFIED PARTY'S OWN NEGLIGENCE but excluding

those resulting from a Lessor Indemnified Party's gross negligence or willful misconduct, imposed upon or incurred by or asserted against Lessor Indemnified Parties by reason of: (a) any accident, injury to or death of persons or loss of or damage to property occurring on or about the Leased Property or adjoining sidewalks, during the Term or while the Leased Property is in the possession or control of Lessee including without limitation any claims under liquor liability, "dram shop" or similar laws, (b) any past, present or future use, misuse, non-use, condition, management, operation, maintenance or repair by Lessee or any of its agents, employees, contractors or invitees of the Leased Property or Lessee's Personal Property, or any litigation, proceeding or claim by governmental entities or other third parties to which a Lessor Indemnified Party is made a party or participant related to such use, misuse, non-use, condition, management, operation, maintenance, or repair thereof by Lessee or any of its agents, employees, contractors or invitees, including any failure of Lessee or any of its agents, employees, contractors or invitees to perform any obligations under this Lease or imposed by applicable law (other than arising out of Condemnation proceedings), (c) any Impositions that are the obligations of Lessee pursuant to the applicable provisions of this Lease, (d) any failure on the part of Lessee to perform or comply with any of the terms of this Lease on the part of Lessee to perform or comply with any of the terms of this Lease, and (e) the nonperformance by Lessee or any of its agents, employees or contractors of any of the terms and provisions of any and all existing and future subleases of the Leased Property to be performed by the landlord thereunder.

(b) Lessor shall indemnify, save harmless and defend Lessee Indemnified Parties from and against all liabilities, obligations, claims, damages, penalties, causes of action, costs and expenses imposed upon or incurred by or asserted against Lessee Indemnified Parties as a result of (a) the gross negligence or willful misconduct of Lessor arising in connection with this Lease or (b) any failure on the part of Lessor to perform or comply with any of the terms of this Lease.

(c) Any amounts that become payable by an Indemnifying Party under this Section shall be paid within ten (10) days after liability therefor on the part of the Indemnifying Party is determined by litigation or otherwise, and if not timely paid, shall bear a late charge (to the extent permitted by law) at the Overdue Rate from the date of such determination to the date of payment. Any such amounts shall be reduced by insurance proceeds received and any other recovery (net of costs) obtained by the Indemnified Party. An Indemnifying Party, upon request, shall at its sole expense resist and defend any Proceeding, claim or action, or cause the same to be resisted and defended by counsel designated by the Indemnified Party and approved by the Indemnifying Party, which approval shall not be unreasonably withheld; provided, however, that such approval shall not be required in the case of defense by counsel designated by any insurance company undertaking such defense pursuant to any applicable policy of insurance. Each Indemnified Party shall have the right to employ separate counsel in any such Proceeding, claim or action and to will be at the sole expense of such Indemnified Party unless a conflict of interest prevents representation of such Indemnified Party by the counsel selected by the Indemnified Party and such separate counsel has been approved by the Indemnifying Party, which approval shall not be unreasonably withheld. The Indemnifying Party shall not be liable for any settlement of any such Proceeding, claim or action made without its consent, which consent shall not be unreasonably withheld, but if settled with the consent of the Indemnifying Party, or if settled without its consent (if its consent shall be unreasonably withheld), or if there be a final, non-appealable judgment for

an adversary party in any such Proceeding, claim or action, the Indemnifying Party shall indemnify and hold harmless the Indemnified Party from and against any liabilities incurred by such Indemnified Party by reason of such settlement or judgement. Nothing herein shall be construed as indemnifying a Lessor Indemnified Party against its own grossly negligent acts or omissions or willful misconduct.

(d) Lessee's and Lessor's obligations under the provisions of this Article shall survive any termination of this Lease.

ARTICLE XXI

SUBLETTING AND ASSIGNMENT

21.1 Subletting and Assignment.

(a) Subject to the provisions of $\ensuremath{\mathsf{Article}}\xspace$ XVIII and Sections

21.2, 21.3 and any other express consents, conditions, limitations or other

.

provisions set forth herein, Lessee shall not assign this Lease or hereafter sublease all or any part of the Leased Property without first obtaining the written consent of Lessor. In the case of a permitted subletting, the sublessee shall comply with the provisions of Sections 18.2, 18.3, 18.4, 18.5, 21.2 and

21.3, and in the case of a permitted assignment, the assignee shall assume in

writing and agree to keep and perform all of the terms of this Lease on the part of Lessee to be kept and performed and shall be, and become, jointly and severally liable with Lessee for the performance thereof. In case of either an assignment or subletting made during the Term, Lessee shall remain primarily liable, as principal rather than as surety, for the prompt payment of the Rent and for the performance and observance of all of the covenants and conditions to be performed by Lessee hereunder. An original counterpart of each such sublease and assignment and assumption, duly executed by Lessee and such sublessee or assignee, as the case may be, in form and substance satisfactory to Lessor, shall be delivered promptly to Lessor.

(b) Lessee acknowledges that this Lease is a lease of nonresidential real property and therefore agrees that Lessee, as the debtor in possession, or the trustee for Lessee (collectively "the Trustee") in any

proceeding under Title 11 of the United States Bankruptcy Code relating to Bankruptcy, as amended (the "Bankruptcy Code"), shall not seek or request any

extension of time to assume or reject this Lease or to perform any obligations of this Lease which arise from or after the order of relief.

(c) If the Trustee proposes to assume or to assign this Lease or sublet the Premises (or any portion thereof) to any person which shall have made a bona fide offer to accept an assignment of this Lease or a subletting on terms acceptable to the Trustee, the Trustee shall give Lessor, and lessors and mortgagees of Lessor of which Lessee has notice, written notice setting forth the name and address of such person and the terms and conditions of such offer, no later than twenty (20) days after receipt of such offer, but in any event no later than ten (10) days prior to the date on which the Trustee makes application to the Bankruptcy Court for authority and approval to enter into such assumption and assignment or subletting. Lessor shall have the prior

right and option, to be exercised by written notice to the Trustee given at any time prior to the effective date of such proposed assignment or subletting, to receive an assignment of this Lease or subletting of the Premises to Lessor or Lessor's designee upon the same terms and conditions and for the same consideration, if any, as the bona fide offer made by such person, less any brokerage commissions which may be payable out of the consideration to be paid by such person for the assignment or subletting of this Lease.

(d) The Trustee shall have the right to assume Lessee's rights and obligations under this Lease only if the Trustee: (a) promptly cures or provides adequate assurance that the Trustee will promptly cure any default under this Lease; (b) compensates or provides adequate assurance that the Trustee will promptly compensate Lessor for any actual pecuniary loss incurred by Lessor as a result of Lessee's default under this Lease; and (c) provides adequate assurance of future performance under this Lease. Adequate assurance of future performance by the proposed assignee shall include, as a minimum, that: (i) any proposed assignee of this Lease shall provide to Lessor an audited financial statement, dated no later than six (6) months prior to the effective date of such proposed assignment or sublease with no material change therein as of the effective date, which financial statement shall show the proposed assignee to have a net worth equal to at least the Minimum Net Worth, or, in the alternative, the proposed assignee shall provide a guarantor of such proposed assignee's obligations under this Lease, which guarantor shall provide an audited financial statement meeting the requirements of (i) above and shall execute and deliver to Lessor a guaranty agreement in form and substance acceptable to Lessor; and (ii) any proposed assignee shall grant to Lessor a security interest in favor of Lessor in all furniture, fixtures, and other personal property to be used by such proposed assignee in the Leased Property. All payments required of Lessee under this Lease, whether or not expressly denominated as such in this Lease, shall constitute rent for the purposes of Title 11 of the Bankruptcy Code.

(e) The parties agree that for the purposes of the Bankruptcy Code relating to (a) the obligation of the Trustee to provide adequate assurance that the Trustee will "promptly" cure defaults and compensate Lessor for actual pecuniary loss, the word "promptly" shall mean that cure of defaults and compensation will occur no later than sixty (60) days following the filing of any motion or application to assume this Lease; and (b) the obligation of the Trustee to compensate or to provide adequate assurance that the Trustee will promptly compensate Lessor for "actual pecuniary loss", the term "actual

pecuniary loss" shall mean, in addition to any other provisions contained herein

relating to Lessor's damages upon default obligations of Lessee to pay money under this Lease and all attorneys' fees and related costs of Lessor incurred in connection with any default of Lessee in connection with Lessee's bankruptcy proceedings.

(f) Any person or entity to which this Lease is assigned pursuant to the provisions of the Bankruptcy Code shall be deemed, without further act or deed, to have assumed all of the obligations arising under this Lease and each of the conditions and provisions hereof on and after the date of such assignment. Any such assignee shall, upon the request of Lessor, forthwith execute and deliver to Lessor an instrument, in form and substance acceptable to Lessor, confirming such assumption.

21.2 Attornment. Lessee shall insert in each future sublease

permitted under Section 21.1 provisions to the effect that (a) such sublease is

subject and subordinate to all of the terms and provisions of this Lease and to the rights of Lessor hereunder, (b) if this Lease terminates before the expiration of such sublease, the sublessee thereunder will, at Lessor's option, attorn to Lessor and waive any right the sublessee may have to terminate the sublease or to surrender possession thereunder as a result of the termination of this Lease, and (c) if the sublessee receives a written Notice from Lessor or Lessor's assignees, if any, stating that an uncured Event of Default exists under this Lease, the sublessee shall thereafter be obligated to pay all rentals accruing under said sublease directly to the party giving such Notice, or as such party may direct. All rentals received from the sublessee by Lessor or Lessor's assignees, if any, as the case may be, shall be credited against the amounts owing by Lessee under this Lease.

21.3 Management Agreement. Lessee shall not enter into any

management or agency agreement relating to the management or operation of the Facility or any modifications to such management or agency agreement without Lessor's prior written approval of the terms and conditions thereof and of the identity of any manager of the Facility which is not an Affiliate of Lessee. Lessor hereby approves that certain Management Agreement dated as of March 30, 1979, as amended successively on March 30, 1979, April 9, 1979, December 27, 1979, April 2, 1980, March 10, 1982, January 20, 1989, June 28, 1990 and June ____, 1997, as the same may be further amended or modified with the prior written consent of Lessor, and that certain Development Agreement dated January 10, 1979, as amended successively on March 30, 1979, December 27, 1979, June 28, 1990 and June ____, 1997, as the same may be further amended or modified with the prior written consent of Lessor (collectively, the "Management Agreement") between Lessee, as Developer and Marriott International, Inc., as manager. the extent any of the provisions of the Management Agreement impose a greater obligation on Lessee than the corresponding provisions of this Lease, then Lessee shall be obligated to comply with, and to take all reasonable actions necessary to prevent breaches or defaults under, the provisions of the Management Agreement, except to the extent that Lessee is prevented from complying with the Management Agreement because of Lessor's breach of its obligations to comply with Article XXXVIII. It is the intent of the parties - - - - - - - - - - - - - - - -

hereto that Lessee shall comply in every respect with the provisions of the Management Agreement so as to avoid any default thereunder during the term of this Agreement. Lessee shall not terminate or enter into any modification of the Management Agreement without in each instance first obtaining Lessor's written consent. Lessor and Lessee agree to cooperate fully with each other in the event it becomes necessary to obtain a management extension or modification or a new franchise for the Leased Property, and in any transfer of the Management Agreement to Lessor or any Affiliate thereof or any other successor to Lessee upon the termination of this Lease. Any management or agency agreement other than the Management Agreement shall provide, among other things, that (i) upon termination of this Lease or termination of Lessee's right to possession of the Leased Property for any reason whatsoever, the Management Agreement may be terminated by Lessor without liability for any payment due or to become due to the Manager, and (ii) all fees and other amounts payable by Lessee to the Manager shall be fully subordinate to Rent and other amounts payable by Lessee to Lessor hereunder. Subject to Lessor's prior approval, Lessee may elect to manage the Facility itself, in which case where appropriate in this Lease, the term "Manager" shall mean Lessee. Lessee shall not enter into any franchise or license agreement without the prior written consent of Lessor and shall, upon Lessor's

written request, cooperate fully with Lessor in entering into and establishing a franchise or license agreement relating to the Leased Property.

ARTICLE XXII

.

ESTOPPEL CERTIFICATES

22.1 Officer's Certificates; Financial Statements; Lessor's Estoppel

Certificates and Covenants.

(a) At any time and from time to time upon not less than ten (10) days Notice by Lessor, Lessee will furnish to Lessor an Officer's Certificate certifying that this Lease is unmodified and in full force and effect (or that this Lease is in full force and effect as modified and setting forth the modifications), the date to which the Rent has been paid, whether to the knowledge of Lessee there is any existing default or Event of Default hereunder by Lessor or Lessee, and such other information as may be reasonably requested by Lessor, any lender, any underwriter and any prospective purchaser of the Leased Property.

(b) Lessee will furnish the following statements and operating information to Lessor:

(1) if requested in writing by Lessor: the most recent Consolidated Financials of Lessee within thirty (30) days after each quarter of any fiscal year (or, in the case of the final quarter in any fiscal year, the most recent Consolidated Financials of Lessee within ninety (90) days);

(2) with reasonable promptness, such other information respecting the financial condition, operations and affairs of Lessee or the Leased Property (A) as Lessor or the Company may be required or may deem desirable in its reasonable discretion to file with or provide to the SEC or any other governmental agency or any other Person, all in the form, and either audited or unaudited, as Lessor may request in Lessor's reasonable discretion, (B) as may be reasonably necessary to confirm compliance by Lessee and its Affiliates with the requirements of this Lease, and (C) as may be required or requested by any existing, potential or future Holder;

(3) on or before each Friday during the Term, a preliminary schedule of Room Revenues, Food Sales and Beverage Sales of the Facility for the immediately preceding calendar week, and on or before the 5th day

of each month, a preliminary schedule of Gross Revenues of the Facility for the immediately preceding calendar month, and on or before the 25th $\,$

day of each month, a balance sheet, and detailed profit and loss and cash flow statements showing the financial position of the Facility as at the end of the preceding month and the results of operation of the Facility for such preceding month and the Lease Year to date in accordance with Section 5.05 of the Management Agreement;

 $(4) \,$ monthly STR Reports within five (5) days of Lessee's receipt thereof, if any;

(5) unless required earlier pursuant to this Lease, within five(5) days of Lessee's receipt thereof, any reports received from theManager under the Management Agreement; and

(6) upon request by Lessor, copies of all licenses, permits, occupancy agreements, operating agreements, leases, contracts, inspection reports, studies, appraisals, assessments, default or other notices and similar materials and information existing with respect to the Leased Property.

(c) At any time and from time to time upon not less than ten (10) days notice by Lessee, Lessor will furnish to Lessee or to any person designated by Lessee an estoppel certificate certifying that this Lease is unmodified and in full force and effect (or that this Lease is in full force and effect as modified and setting forth the modifications), the date to which Rent has been paid, whether to the knowledge of Lessor there is any existing default or Event of Default on Lessee's or Lessor's part hereunder, and such other information as may be reasonably requested by Lessee. Any such certificate furnished pursuant to this Section may be relied upon by Lessee, any lender, any underwriter and any purchaser of the assets of Lessor.

(d) Lessee covenants to cause its officers and employees, its auditors and Manager (to the maximum extent permitted under the Management Agreement) to cooperate fully and promptly with Lessor and the Company and with the auditors for Lessor and the Company in connection with the timely preparation and filing of Lessor's and the Company's filings, reports and returns under applicable federal, state and other governmental securities, blue sky and tax laws and regulations.

ARTICLE XXIII

INSPECTIONS

23.1 Regular Meetings; Lessor's Right to Inspect.

(a) Lessee agrees that if requested by Lessor (if and to the extent agreed to by Manager), the general manager, the controller, the director of marketing, the asset manager and, if specifically requested by Lessor, the director of food and beverage and the chief engineer for the Facility will meet at the Facility with Lessor and its representatives on a monthly basis throughout each Lease Year in order to discuss all aspects of the management, maintenance and operation of the Facility.

(b) Lessee shall permit Lessor and its representatives as frequently as reasonably requested by Lessor to inspect the Leased Property and Lessee's accounts and records pertaining thereto and make copies thereof, during usual business hours upon reasonable advance notice, subject only to any business confidentiality requirements reasonably requested by Lessee. In

conducting such inspections Lessor shall not unreasonably interfere with the conduct of Lessee's business at the Leased Property.

ARTICLE XXIV

NO WAIVER

24.1 No Waiver. No failure by Lessor or Lessee to insist upon the

strict performance of any term hereof or to exercise any right, power or remedy consequent upon a breach thereof, and no acceptance of full or partial payment of Rent during the continuance of any such breach, shall constitute a waiver of any such breach or of any such term. To the extent permitted by law, no waiver of any breach shall affect or alter this Lease, which shall continue in full force and effect with respect to any other then existing or subsequent breach.

ARTICLE XXV

CUMULATIVE REMEDIES

25.1 Remedies Cumulative. To the extent permitted by law but subject

to Article XXXIX and any other provisions of this Lease expressly limiting the

rights, powers and remedies of either Lessor or Lessee, each legal, equitable or contractual right, power and remedy of Lessor or Lessee now or hereafter provided either in this Lease or by statute or otherwise shall be cumulative and concurrent and shall be in addition to every other right, power and remedy and the exercise or beginning of the exercise by Lessor or Lessee of any one or more of such rights, powers and remedies shall not preclude the simultaneous or subsequent exercise by Lessor or Lessee of any or all of such other rights, powers and remedies.

ARTICLE XXVI

.

SURRENDER

26.1 Acceptance of Surrender. No surrender to Lessor of this Lease

or of the Leased Property or any part thereof, or of any interest therein, shall be valid or effective unless agreed to and accepted in writing by Lessor and no act by Lessor or any representative or agent of Lessor, other than such a written acceptance by Lessor, shall constitute an acceptance of any such surrender.

ARTICLE XXVII

NO MERGER

27.1 No Merger of Title. There shall be no merger of this Lease or

of the leasehold estate created hereby by reason of the fact that the same person or entity may acquire, own or hold, directly or indirectly: (a) this Lease or the leasehold estate created hereby or any interest in this Lease or such leasehold estate and (b) the fee estate in the Leased Property.

CONVEYANCE BY LESSOR

28.1 Conveyance by Lessor. Lessor shall have the unrestricted right

to mortgage or otherwise convey the Leased Property to a Holder. If Lessor conveys the Leased Property in accordance with the terms hereof other than to a Holder, and the grantee or transferee of the Leased Property expressly assumes all obligations of Lessor hereunder arising or accruing from and after the date of such conveyance or transfer, Lessor shall thereupon be released from all future liabilities and obligations of Lessor under this Lease arising or accruing from and after the date of such conveyance or other transfer as to the Leased Property and all such future liabilities and obligations shall thereupon be binding upon the new owner. If Lessee is not reasonably satisfied that the new owner is a capable, reliable and qualified Person of good reputation and character, Lessee may terminate this Lease upon sixty (60) days' Notice to Lessor given within thirty (30) days after Lessee receives Notice of such conveyance.

28.2 Lessor May Grant Liens.

(a) Without the consent of Lessee, Lessor may from time to time, directly or indirectly, create or otherwise cause to exist any lien, encumbrance or title retention agreement upon the Leased Property, or any portion thereof or interest therein, or upon Lessor's interest in this Lease, whether to secure any borrowing or other means of financing or refinancing. This Lease and Lessee's interest hereunder shall at all times be subject and subordinate to the lien and security title of any deeds to secure debt, deeds of trust, mortgages, or other interests heretofore or hereafter granted by Lessor or which otherwise encumber or affect the Leased Property and to any and all advances to be made thereunder and to all renewals, modifications, consolidations, replacements, substitutions, and extensions thereof (all of which are herein called the "Mortgage"), provided

that the Mortgage and all security agreements delivered by Lessor in connection therewith shall be subject to Lessee's rights under this Lease to receive all Gross Revenues of the Facility prior to the earlier of the occurrence of an Event of Default or the date that this Lease is terminated by the Holder of the Mortgage in the exercise of its remedies thereunder. In confirmation of such subordination, however, Lessee shall, at Lessor's request, promptly execute, acknowledge and deliver any instruments which may be required to evidence subordination to any Mortgage and to the Holder thereof and the assignment of this Lease and Lessor's rights and interests thereunder to such Holder. In the event of Lessee's failure to deliver such instruments and if the Mortgage and such instruments do not change materially and adversely any term of this Lease, Lessor may, in addition to any other remedies for breach of covenant hereunder, execute, acknowledge, and deliver the instrument as the agent or attorney-infact of Lessee, and Lessee hereby irrevocably constitutes Lessor its attorneyin-fact for such purpose, Lessee acknowledging that the appointment is coupled with an interest and is irrevocable.

(b) Lessee shall, upon the request of Lessor or any existing, potential or future Holder, (i) provide Lessor or such Holder with copies of all licenses, permits, occupancy agreements, operating agreements, leases, contracts, inspection reports, studies, appraisals, assessments, default or other notices and similar materials reasonably requested in connection with

any existing or proposed financing of the Leased Property, and (ii) execute and/or cause the Manager to execute, as applicable, such estoppel agreements and collateral assignments with respect to the Facility's liquor license, the Management Agreement and any of the other aforementioned agreements as Holder may reasonably request in connection with any such financing, provided that no such estoppel agreement or collateral assignment shall in any way affect the Term or affect adversely in any material respect any rights of Lessee under this Lease.

(c) No act or failure to act on the part of Lessor which would entitle Lessee under the terms of this Lease, or by law, to be relieved of any of Lessee's obligations hereunder (including, without limitation, its obligation to pay Rent) or to terminate this Lease, shall result in a release or termination of such obligations of Lessee or a termination of this Lease unless: (i) Lessee shall have first given written notice of Lessor's act or failure to act to any Holder of whom Lessee has been given written notice of such Holder's status as a Holder, specifying the act or failure to act on the part of Lessor which would give basis to Lessee's rights; and (ii) the Holder, after receipt of such notice, shall have failed or refused to correct or cure the condition (60) days), which shall include a reasonable time thereafter (in no event less than sixty possession of the Leased Property, if possession is reasonably necessary for the Holder to correct or cure the condition, or to foreclose such Mortgage, and if the Holder notifies the Lessee of its intention to take possession of the Leased Property or to foreclosure such Mortgage, and correct or cure such condition. If such Holder is prohibited by any process or injunction issued by any court or by reason of any action by any court having jurisdiction or any bankruptcy, debtor rehabilitation or insolvency proceedings involving Lessor from commencing or prosecuting foreclosure or other appropriate proceedings in the nature thereof, provided, however, that this Lease shall continue to be in full force and effect, the times for commencing or prosecuting such foreclosure or other proceedings shall be extended for the period of such prohibition.

(d) Lessee shall deliver by notice delivered in the manner provided in Article XXX to any Holder who gives Lessee written notice of its

status as a Holder, at such Holder's address stated in the Holder's written notice or at such other address as the Holder may designate by later written notice to Lessee, a duplicate copy of any and all notices regarding any default which Lessee may from time to time give or serve upon Lessor pursuant to the provisions of this Lease. Copies of such notices given by Lessee to Lessor shall be delivered to such Holder simultaneously with delivery to Lessor. No such notice by Lessee to Lessor hereunder shall be deemed to have been given unless and until a copy thereof has been mailed to such Holder as provided above.

(e) At any time, and from time to time, upon not less than ten (10) days' notice by a Holder to Lessee, Lessee shall deliver to such Holder an estoppel certificate certifying as to the information required in Section 22.1(c), and such other information as may be reasonably requested by

such Holder. Any such certificate may be relied upon by such Holder.

(f) Lessee shall cooperate in all reasonable respects, and as generally described in Section 42.2 of this Lease, with any transfer of the

Leased Property to a Holder that succeeds to the interest of Lessor in the Leased Property (including, without limitation, in connection with

the transfer of any management, franchise, license, lease, permit, contract, agreement, or similar item to such Holder or such Holder's designee necessary or appropriate to operate the Leased Property). Lessor and Lessee shall cooperate in (i) including in this Lease by suitable amendment from time to time any provision which may be requested by any proposed Holder, or may otherwise be reasonably necessary, to implement the provisions of this Article and (ii) entering into any further agreement with or at the request of any Holder which may be reasonably requested or required by such Holder in furtherance or confirmation of the provisions of this Article; provided, however, that any such amendment or agreement shall not in any way affect the Term nor affect adversely in any material respect any rights of Lessor or Lessee under this Lease.

ARTICLE XXIX

QUIET ENJOYMENT

29.1 Quiet Enjoyment. So long as Lessee pays all Rent as the same

becomes due and complies with all of the terms of this Lease and performs its obligations hereunder, in each case within the applicable grace and/or cure periods, if any, Lessee shall peaceably and quietly have, hold and enjoy the Leased Property for the Term hereof, free of any claim or other action by Lessor or anyone claiming by, through or under Lessor and not claiming by, through or under Lessee, but subject to all liens and encumbrances subject to which the Leased Property was conveyed to Lessor or hereafter consented to by Lessee or provided for herein. Lessee shall have the right by separate and independent action to pursue any claim it may have against Lessor as a result of a breach by Lessor of the covenant of quiet enjoyment contained in this Section.

ARTICLE XXX

NOTICES

30.1 Notices. All notices, demands, requests, consents approvals and

other communications ("Notice" or "Notices") hereunder shall be in writing and personally served or mailed (by express mail, courier, or registered or certified mail, return receipt requested and postage prepaid), (i) if to Lessor at c/o Boston Properties, Inc., 8 Arlington Street, Boston, MA 02116, Attention: David Barrett and David G. Gaw and (ii) if to Lessee at 8 Arlington Street, Boston, MA 02116, Attention: William J. Wedge, or to such other address or addresses as either party may hereafter designate. Personally delivered Notice shall be effective upon receipt, and Notice given by mail shall be complete at the time of deposit in the U.S. Mail system, but any prescribed period of Notice and any right or duty to do any act or make any response within any prescribed period or on a date certain after the service of such Notice given by mail shall be extended five days.

ARTICLE XXXI

APPRAISALS

31.1 Appraisers. If it becomes necessary to determine the fair

market value or fair market rental of the Leased Property for any purpose of this Lease, then, except as otherwise expressly provided in this Lease, the party required or permitted to give Notice of such required determination shall include in the Notice the name of a person selected to act as appraiser on its behalf. Within ten (10) days after Notice, Lessor (or Lessee, as the case may be) shall by Notice to Lessee (or Lessor, as the case may be) appoint a second person as appraiser on its behalf. The appraisers thus appointed, each of whom must be a member of the American Institute of Real Estate Appraisers (or any successor organization thereto) with at least five years experience in the State appraising property similar to the Leased Property, shall, within ten (10) days after the date of the Notice appointing the second appraiser, proceed to appraise the Leased Property to determine the fair market value or fair market rental thereof as of the relevant date (giving effect to the impact, if any, of inflation from the date of their decision to the relevant date); provided, however, that if only one appraiser shall have been so appointed, then the determination of such appraiser shall be final and binding upon the parties. two appraisers are appointed and if the difference between the amounts so determined does not exceed 5% of the lesser of such amounts, then the fair market value or fair market rental shall be an amount equal to 50% of the sum of the amounts so determined. If the difference between the amounts so determined exceeds 5% of the lesser of such amounts, then such two appraisers shall have ten (10) days to appoint a third appraiser. If no such appraiser shall have been appointed within such ten (10) days or within sixty (60) days of the original request for a determination of fair market value or fair market rental, whichever is earlier, either Lessor or Lessee may apply to any court having jurisdiction to have such appointment made by such court. Any appraiser appointed by the original appraisers or by such court shall be instructed to determine the fair market value or fair market rental within thirty (30) days after appointment of such appraiser. The determination of the appraiser which differs most in the terms of dollar amount from the determinations of the other two appraisers shall be excluded, and 50% of the sum of the remaining two determinations shall be final and binding upon Lessor and Lessee as the fair market value or fair market rental of the Leased Property, as the case may be. This provision for determining by appraisal shall be specifically enforceable to the extent such remedy is available under applicable law, and any determination hereunder shall be final and binding upon the parties except as otherwise provided by applicable law. Lessor and Lessee shall each pay the fees and expenses of the appraiser appointed by it and each shall pay one-half of the fees and expenses of the third appraiser and one-half of all other costs and expenses incurred in connection with each appraisal.

ARTICLE XXXII

(Intentionally Deleted)

ARTICLE XXXIII

(Intentionally Deleted)

ARTICLE XXXIV

(Intentionally Deleted)

ARTICLE XXXV

LESSEE CAPITALIZATION REQUIREMENTS

35.1 Lessee's Net Worth. Lessee shall be obligated to maintain at

all times during the Term a Net Worth in an amount at least equal to twenty percent (20%) of the aggregate projected Base Rent and Percentage Rent for the Leased Property and the Other Leased Properties, shown from time to time on the Annual Operating Projection for the Leased Property last approved by Lessor pursuant to Section 3.5 of this Lease and the similar annual budgets last

approved by Lessor pursuant to Section 3.5 or similar sections of the Other

.

Leases (the "Minimum Net Worth"). As used herein, "Net Worth" shall mean the

excess of total assets over total liabilities, total assets and total liabilities each to be determined in accordance with GAAP, excluding, however, from the determination of total assets: (a) goodwill, organizational expenses, research and development expenses, trademarks, trade names, copyrights, patents, patent applications, and other similar intangibles; (b) all deferred charges that are not required to be capitalized in accordance with GAAP or unamortized debt discounts and expense; (c) treasury stock; (d) securities which are not readily marketable; (e) any write-up in the book value of any asset resulting from a revaluation thereof; (f) this Lease and the Other Leases; and (g) any items not included in clauses (a) through (f) above that are treated as from Messrs. Zuckerman and/or Linde shall be acceptable assets hereunder.

35.2 Lessee's Cash. On the date hereof Lessee shall have Cash and/or

Working Capital in the amount of at least \$500,000, and Lessee shall at all times hereafter maintain an adequate amount of Working Capital to operate the Facility. As used herein, "Cash" shall mean (a) cash or other immediately

available funds, (b) any debt instrument with a term of up to 12 months that is issued by or backed by the full faith and credit of the United States, (c) any certificate of deposit with a term of up to 12 months that is issued by an issuer that, on the date of issuance and on each date of any renewal or reissuance thereof, is a substantial U.S. financial institution that is satisfactory to Lessor (an "Approved Financial Institution"), and which

instrument is in form and substance satisfactory to the Lessor, (d) any irrevocable, "clean" letter of credit issued by an issuer that, on the date of issuance and on each date of any renewal or reissuance thereof, is an Approved Financial Institution, and which instrument is in form and substance satisfactory to the Lessor, and (e) a repurchase agreement with a term of up to ninety (90) days that is binding upon an Approved Financial Institution, and which agreement is in form and substance satisfactory to

the Lessor. As used herein, "Working Capital" shall mean the excess of the Lessee's current assets over the Lessee's current liabilities, both as determined in accordance with GAAP.

 $\ensuremath{\texttt{35.3}}$ Verification of Net Worth. In addition to the Consolidated

Financials of Lessee to be delivered to Lessor pursuant to Section 22.1, Lessee

shall deliver to Lessor, together with such Consolidated Financials of Lessee, an Officer's Certificate in form reasonably required by Lessor, certifying the Net Worth and Cash of Lessee as of the date of the Consolidated Financials of Lessee being delivered concurrently therewith and stating that Lessee is in compliance with its obligations under Sections 35.1 and 35.2 of this Lease, or

if not, so stating and including the reasons therefor. Lessor shall have the right from time to time and at any time to have an independent certified public accountant selected by Lessor perform an audit or other review of the books and records of Lessee to verify the amount of Lessee's Net Worth and Cash, and Lessee shall cooperate with Lessor in connection therewith. If Lessor audits or reviews the amount of Lessee's Net Worth and Cash shown in the last Officer's Certificate delivered to Lessor, and such audit or review discloses that either the Net Worth or Cash of Lessee as of such date certified is one percent (1%) or more less than the amount shown on the Officer's Certificate or that the statements in such Officer's Certificate regarding Lessee's compliance with those obligations under Sections 35.1 or 35.2 is otherwise materially incorrect,

then in addition to any other rights and remedies of Lessor, Lessee shall pay for the cost of the audit or review. Otherwise, Lessor shall bear the cost of the audit or review.

 $\ensuremath{\mathsf{35.4}}$ Change of Control. Lessee represents and warrants that it is a

Delaware limited liability company all of whose interests are owned by Mortimer B. Zuckerman and Edward H. Linde who, in the aggregate, hold a 9.8% ownership interest, Seven Cambridge Center, Inc., which holds a 90.2% ownership interest. Without the prior written consent of Lessor, neither Lessee nor any member of Lessee shall, directly or indirectly, sell, transfer, convey, pledge or assign, or suffer or permit the sale, transfer, conveyance, pledge or assignment, of (a) its interest in this Lease, or (b) any ownership interest in Lessee.

35.5 Other Business Activities. Lessee shall not engage in or incur

any expenses, indebtedness or obligations related to any business or activity, including without limitation owning, leasing or managing hotels other than the Facility, that is not directly related to leasing the Leased Property under this Lease or the Other Leased Properties under the Other Leases.

35.6 Non-Competition. Without Lessor's prior written consent,

neither Lessee nor any Affiliate thereof shall, during the Term hereof, either (a) lease or manage another hotel owned by a real estate investment trust other than the Company, or (b) acquire, construct, operate, lease, franchise or manage any hotel within a five (5) mile radius of the Leased Property.

ARTICLE XXXVI

LESSOR'S OPTION TO TERMINATE

36.1 Lessor's Option to Terminate Lease.

(a) In the event (i) Lessor consummates a bona fide contract to sell the Leased Property to a non-Affiliate, (ii) of a Tax Law Change resulting in Lessor's determination to terminate this Lease, or (iii) a Tax Structure Change, then in any of such events Lessor may terminate this Lease by (1) giving not less than thirty (30) days prior Notice to Lessee of Lessor's election to terminate this Lease upon the closing under such contract, or (2) upon a date specified by Lessor which is on or after the effective date of the Tax Law Change or an election of Lessor to terminate this Lease under (iii) above, whichever is applicable. Effective upon such date, this Lease shall terminate and be of no further force and effect except as to any obligations of the parties existing as of such date that survive termination of this Lease and all Rent including Percentage Rent and Additional Charges shall be adjusted as of the termination date.

(b) As compensation for the early termination of its leasehold estate under this Article XXXVI because of a Tax Law Change, Lessor shall within

ninety (90) days of such termination, pay to Lessee the fair market value of Lessee's leasehold estate hereunder for the twelve (12) month period commencing on the date of such termination (or, if shorter, the remaining term of the Lease).

(c) As compensation for the early termination of its leasehold estate under this Article XXXVI because of a Tax Structure Change, Lessor shall

within ninety (90) days after the termination of this Lease pay to Lessee the fair market value of Lessee's leasehold estate hereunder for the twelve (12) month period commencing on the date of such termination (or, if shorter, the remaining term of the Lease).

(d) For the purposes of this Section, fair market value of the leasehold estate means, as applicable, an amount equal to the price that a willing buyer not compelled to buy would pay a willing seller not compelled to sell for Lessee's leasehold estate under this Lease or an offered replacement leasehold estate assuming that the remaining term of the Lease is the lesser of

(i) the actual remaining term or (ii) twelve (12) months. In computing fair market value of a leasehold estate and a new management agreement, the appraiser shall discount all future income, expenses and fees to the then present value at a rate of fifteen percent (15%) per annum.

ARTICLE XXXVII

LESSOR'S RIGHTS

37.1 Lessor's Rights. Notwithstanding anything to the contrary

contained herein or in the Management Agreement, any event or other circumstance requiring Lessee's consent under the Management Agreement shall not be granted or withheld by Lessee unless and until Lessee shall have consulted with Lessor in connection with such consent or disapproval.

ARTICLE XXXVIII

CAPITAL EXPENDITURES

38.1 Capital Expenditures.

(a) Commencing upon the Commencement Date, Lessor shall be obligated to accrue the Capital Expenditures Reserve (to the extent such reserve is not maintained by Manager pursuant to the Management Agreement). Except as otherwise provided in the Management Agreement, upon written request by Lessee to Lessor stating the specific use to be made and subject to the reasonable approval thereof by Lessor, such funds shall only be made available by Lessor to Lessee for Capital Expenditures if and to the extent specifically approved by Lessor; provided, however, that no Capital Expenditures shall be used to purchase property (other than "real property" within the meaning of Treasury Regulations Section 1.856-3(d)), to the extent that doing so would cause the Lessor to recognize income other than "rents from real property" as defined in Section 856(d) of the Code or to recognize income other than rents described in Section 512(b)(3) of the Code. Lessor's obligation shall be cumulative, but not compounded, and any amounts that have accrued hereunder shall be payable in future periods for such uses and in accordance with the procedures set forth herein. Lessee shall have no interest in any accrued obligation of Lessor hereunder after the termination of this Lease. All Capital Improvements shall be owned by Lessor subject to the provisions of this Lease and the Management Agreement. Lessee shall promptly notify Lessor of any Capital Expenditures or other expenditures made in accordance with the Management Agreement.

(b) Except as specifically provided otherwise in Section 8.3(b),

Lessor's obligation to make Capital Expenditures in respect to Capital Improvements and to comply with the provisions of this Lease which may require the availability of funds for Capital Improvements shall be limited to amounts available in the Capital Expenditures Reserve and such additional amounts as Lessor may agree to make available in Lessor's sole discretion; provided, however, that if additional Capital Expenditures are required to meet Emergency Situations, Lessor shall make such amounts available to Lessee and, unless otherwise provided in Section 8.03(B) of the Management Agreement, receive a pro rata credit therefor against amounts which Lessor is obligated to accrue for the Capital Expenditures Reserve during the remainder of the Term. No arbitration resulting from the failure of Lessor and Lessee to agree upon any matter shall increase Lessor's obligation for Capital Expenditures beyond the amounts set forth in the immediately preceding sentence. To the extent that Lessee's obligations under this Lease (including, without

limitation, the obligations set forth in Sections 7.2, 8.1 and 9.1 and in

Article XXXVII) are dependent upon the availability of amounts for Capital

Expenditures which exceed the amounts that Lessor is obligated to provide pursuant to this Article XXXVIII, such obligations of Lessee shall be

correspondingly diminished.

(c) Lessor shall, subject to Manager's rights pursuant to the Management Agreement, have sole authority with respect to the implementation of all Capital Improvements. Such authority shall extend both to the plans and specifications (including matters of design and decor) and to the contracting and purchasing of all labor, services and materials.

ARTICLE XXXIX

LESSOR'S DEFAULT

39.1 Lessor's Default.

(a) It shall be a breach of this Lease if Lessor fails to observe or perform any term, covenant or condition of this Lease on its part to be performed and such failure continues for a period of thirty (30) days after Notice thereof from Lessee, unless such failure cannot with due diligence be cured within a period of thirty (30) days, in which case such failure shall not be deemed a breach if Lessor proceeds within such thirty (30)-day period, with due diligence, to cure the failure and thereafter diligently completes the curing thereof. The time within which Lessor shall be obligated to cure any such failure also shall be subject to extension of time due to the occurrence of any Unavoidable Delay. If Lessor does not cure any such failure within the applicable time period as aforesaid, Lessee may declare the existence of a "Lessor Default" by a second Notice to Lessor. Thereafter, subject to the

provisions of the following paragraph, Lessee may (but shall be under no obligation at any time thereafter to) make such payment or perform such act for the account and at the expense of Lessor. All sums so paid by Lessee and all costs and expenses (including, without limitation, reasonable attorneys' fees and court costs) so incurred, together with interest thereon at the Overdue Rate from the date on which such sums or expenses are paid or incurred by Lessee until the date paid by Lessor or offset by Lessee as expressly provided herein, shall be paid by Lessor to Lessee on demand or Lessee may offset or counterclaim such sums actually paid by Lessee against Percentage Rents or Other Charges due hereunder. Lessee shall have no right to terminate this Lease for any Lessor Default and no right, for any such Lessor Default, to offset or counterclaim against any rent or other Charges due hereunder unless otherwise expressly provided in this Lease.

(b) If Lessor shall in good faith dispute the occurrence of any Lessor Default and Lessor, before the expiration of the applicable cure period, shall give Notice thereof to Lessee, setting forth, in reasonable detail, the basis therefor, no Lessor Default shall be deemed to have occurred and Lessor shall have no obligation with respect thereto, and Lessee shall have no right to offset or counterclaim for costs and expenses incurred and paid by Lessee against any Percentage Rent or Other Charges due hereunder, until final adverse determination thereof, whether through arbitration or otherwise; provided,

Rent or Other Charges due hereunder, interest on any disputed funds at the Base Rate, from the date demand for such funds was made by Lessee until the date of final adverse determination and, thereafter, at the Overdue Rate until paid. If Lessee and Lessor shall fail, in good faith, to resolve any such dispute within ten (10) days after Lessor's Notice of dispute, either may submit the matter for determination by arbitration, but only if such matter is required to be submitted to arbitration pursuant to any provision of this Lease, or otherwise by a court of competent jurisdiction.

(c) Notwithstanding anything to the contrary contained in this Lease, for the enforcement of any judgment (or other judicial decree) requiring the payment of money by Lessor to Lessee by reason of any default by Lessor under this Lease or otherwise, Lessee shall look solely to the estate and property of Lessor in the Leased Property and any insurance proceeds under any policies of insurance maintained by Lessor in accordance with this Lease which are paid on account of the same circumstances as led to Lessee's judgment, it being intended that no other assets of Lessor or any of Lessor's Affiliates shall be subject to levy, execution, attachment or any other legal process for the enforcement or satisfaction of any judgment (or other judicial decree) obtained by Lesser for its own gross negligence, willful misconduct or Environmental Liabilities caused by affirmative actions of Lessor, (ii) any liability of Lessor for repayment to Lessee upon the termination of this Lease of any excess payments of Percentage Rent or Additional Charges for the last Lease Year or part thereof, and (iii) in the case of a final award of damages against Lessor payable to Lessee, Lessee may offset the amount of such judgment or award against the Percentage Rent next coming due under this Lease.

ARTICLE XL

ARBITRATION

40.1 Arbitration. Except as set forth in Section 40.2, in each case

specified in this Lease in which it shall become necessary to resort to arbitration, such arbitration shall be determined as provided in this Section

40.1. The party desiring such arbitration shall give Notice to that effect to - ----

the other party, and an arbitrator shall be selected by mutual agreement of the parties, or if they cannot agree within thirty (30) days of such notice, by appointment made by the American Arbitration Association ("AAA") from among the

members of its panels who are qualified and who have experience in resolving matters of a nature similar to the matter to be resolved by arbitration.

40.2 Alternative Arbitration. In each case specified in this Lease

for a matter to be submitted to arbitration pursuant to the provisions of this Section 40.2, Lessor shall be entitled to designate any nationally recognized

accounting firm with a hospitality division of which Lessor or an Affiliate of Lessor is not a significant client to serve as arbitrator of such dispute within fifteen (15) days after written demand for arbitration is received or sent by Lessor. In the event Lessor fails to make such designation within such fifteen (15) day period, Lessee shall be entitled to designate any nationally recognized accounting firm with a hospitality division of which Lessee or an Affiliate of Lessee is not a significant client to serve as arbitrator of such dispute within

fifteen (15) days after Lessor fails to timely make such designation. In the event no nationally recognized accounting firm satisfying such qualifications is available and willing to serve as arbitrator, the arbitration shall instead be administered as set forth in Section 40.1.

40.3 Arbitration Procedures. In any arbitration commenced pursuant

to Sections 40.1 or 40.2, a single arbitrator shall be designated and shall

resolve the dispute. The arbitrator's decision shall be binding on all parties and shall not be subject to further review or appeal except as otherwise allowed by applicable law. Upon the failure of either party (the "non-complying party")

to comply with his decision, the arbitrator shall be empowered, at the request of the other party, to order such compliance by the non-complying party and to supervise or arrange for the supervision of the non-complying party's obligation to comply with the arbitrator's decision, all at the expense of the noncomplying party. To the maximum extent practicable, the arbitrator and the parties, and the AAA if applicable, shall take any action necessary to insure that the arbitration shall be concluded within ninety (90) days of the filing of such dispute. The fees and expenses of the arbitrator shall be shared equally by Lessor and Lessee except as otherwise specified above in this Section 40.3.

Unless otherwise agreed in writing by the parties or required by the arbitrator or AAA, if applicable, arbitration proceedings hereunder shall be conducted in the State. Notwithstanding formal rules of evidence, each party may submit such evidence as each party deems appropriate to support its position and the arbitrator shall have access to and right to examine all books and records of Lessee and Lessor regarding the Facility during the arbitration.

ARTICLE XLI

TRADE-OUTS

41.1 Trade-outs. Lessee shall not enter into and shall use its best

efforts not permit Manager to enter into any material trade-out agreements or arrangements (i.e., agreements or arrangements pursuant to which goods or services are provided to or for the benefit of Lessee or Manager or their respective Affiliates or the Facility in exchange for free or reduced rate rooms, food and beverage services, or other Facility services) without Lessor's prior written consent. As to any trade-out agreements assigned to and assumed by Lessee from Lessor or the prior owner of the Leased Property, Lessor and Lessee shall agree on fair and equitable amounts (or a methodology for determining such amounts) to be included in Beverage Sales, Food Sales and Room Revenues for purposes of this Lease, including the calculation of Percentage Rent, to take into account the loss of Gross Revenues, if any, resulting from the rooms or services provided by the Facility in exchange for the goods or services provided to Lessee, its Affiliates, or the Facility. If Lessor and Lessee do not reach agreement as to such amounts (or a methodology for determining such amounts) the disagreement shall be resolved by arbitration pursuant to Section 40.2. Lessor shall not unreasonably withhold its consent to

a trade-out agreement or arrangement proposed by Lessee which benefits the Facility provided that the term of the trade-out agreement does not extend beyond the stated Term of this Lease and provided that Lessor and Lessee have agreed in writing as to the amounts (or a methodology for determining such amounts) to be included in Beverage Sales, Food Sales and Room Revenues to take into account the loss of Gross Revenues, if any, resulting from the rooms or services provided by the Facility in exchange for the goods or services provided to or for the benefit of the Facility.

ARTICLE XLII

MISCELLANEOUS

- - - - - - - - - -

42.1 Miscellaneous. Anything contained in this Lease to the contrary

notwithstanding, all claims against, and liabilities of, Lessee or Lessor arising prior to any date of termination of this Lease shall survive such termination. If any term or provision of this Lease or any application thereof is invalid or unenforceable, the remainder of this Lease and any other application of such term or provisions shall not be affected thereby. If any late charges or any interest rate provided for in any provision of this Lease are based upon a rate in excess of the maximum rate permitted by applicable law, the parties agree that such charges shall be fixed at and limited to the maximum permissible rate. Neither this Lease nor any provision hereof may be changed, waived, discharged or terminated except by a written instrument in recordable form signed by Lessor and Lessee. All the terms and provisions of this Lease shall be binding upon and inure to the benefit of the parties hereto and their respective successors and assigns. The headings in this Lease are for convenience of reference only and shall not limit or otherwise affect the meaning hereof. This Lease shall be governed by and construed in accordance with the laws of the State, but not including its conflicts of laws rules. If any payment required to be made pursuant to this Lease shall become due on a day which is not a Business Day, such payment shall be made on the next succeeding Business Dav.

42.2 Transition Procedures. Lessee shall and shall cause Manager to

cooperate in good faith to provide access and information to any prospective purchaser or lessee of the Leased Property which may acquire the Leased Property or lease it upon the expiration or termination of the Term. Upon any expiration or termination of the Term, Lessor and Lessee shall do the following and, in general, shall cooperate in good faith to effect an orderly transition of the lease of the Facility. The provisions of this Section 42.2 shall survive the

expiration or termination of this Lease until they have been fully performed. Nothing contained herein shall limit Lessor's rights and remedies under this Lease if such termination occurs as the result of an Event of Default.

(a) Transfer of Licenses. Upon the expiration or earlier

termination of the Term, Lessee shall use its best efforts (i) to transfer to Lessor or Lessor's designee all licenses, operating permits and other governmental authorizations and all contracts, including contracts with governmental or quasi-governmental entities, in each instance to the extent held in the name of Lessee, that may be necessary for the operation of the Facility (collectively, "Licenses"), or (ii) if such transfer is prohibited by law or

Lessor otherwise elects, to cooperate with Lessor or Lessor's designee in connection with the processing by Lessor or Lessor's designee of any applications for all Licenses, including Lessee or Manager continuing to operate the liquor operations under its licenses with Lessor or its designee agreeing to indemnify and hold Lessee harmless as a result thereof except for the gross negligence or willful misconduct of Lessee; provided, in either case, that the costs and expenses of any such transfer or the processing of any such application shall be paid by Lessor or Lessor's designee.

(b) Leases and Concessions. Lessee shall assign to Lessor or

Lessor's designee simultaneously with the termination of this Agreement, and the assignee shall assume all leases, contracts, concession agreements and agreements (including the Management Agreement) in effect with respect to the Facility then in Lessee's name, unless Lessor rejects one or more of such leases, contracts, concession agreements or other agreements (other than the Management Agreement) in writing within thirty (30) days following the date of termination of this Agreement in which event the agreement or agreements so rejected shall be deemed reassigned and shall remain the property and responsibility of Lessee.

(c) Books and Records. To the extent that Lessor has not

already received copies thereof, a copy of all books and records (including computer records) for the Facility kept by Lessee pursuant to Section 3.6 shall

be promptly delivered to Lessor or Lessor's designee.

(d) Receivables and Payables, etc. Lessor shall be entitled to

retain all cash, bank accounts and house banks on the termination date. Lessee shall be entitled to collect all Gross Revenues and accounts receivable accrued through the termination date. Lessee shall be responsible for the payment of Rent, all operating expenses of the Facility and all other obligations of Lessee accrued under this Lease as of the termination date, and Lessor shall be responsible for all operating expenses of the Facility accruing after the termination date. Lessee shall surrender the Leased Property with an amount and quality of Nonconsumable Inventory equal to the Initial Nonconsumable Inventory, and Lessor shall have no obligation to purchase such Nonconsumable Inventory or any other items of Lessee's Personal Property.

42.3 Waiver of Presentment, etc. Lessee waives all presentments,

demands for payment and for performance, notices of nonperformance, protests, notices of protest, notices of dishonor, and notices of acceptance and waives all notices of the existence, creation, or incurring of new or additional obligations, except as expressly granted herein.

42.4 Standard of Discretion. In any provision of this Lease

requiring or permitting the exercise by Lessor or Lessee of such party's approval, election, decision, consent, judgment, determination or words of similar import (collectively, an "Approval"), such Approval may, unless

otherwise expressly specified in such provision, be given or withheld in such party's sole, absolute and unreviewable discretion. Any Approval which by the terms of this Lease may not be unreasonably withheld shall also not be unreasonably delayed.

42.5 Action for Damages. In any suit or other claim brought by

either party seeking damages against the other party for breach of its obligations under this Lease, the party against whom such claim is made shall be liable to the other party only for actual damages and not for consequential, punitive or exemplary damages.

IN WITNESS WHEREOF, the parties have executed this Lease by their duly authorized representatives as of the date first above written.

LESSOR:

DOWNTOWN BOSTON PROPERTIES TRUST

By:

```
Name: Mortimer B. Zuckerman
Title: Trustee and Not Individually
```

By:

	dward H.			
Title:	Trustee	and	Not	Individually

LESSEE:

ZL HOTEL LLC, a Delaware limited liability company

By:

	 	 _	_	_						
Name:										
Title:	 	 -	-	-						
	 	 -	-	-						

LEASE AGREEMENT

DATED AS OF JUNE ____, 1997

BETWEEN

EDWARD H. LINDE AND MORTIMER B. ZUCKERMAN AS TRUSTEES OF TWO CAMBRIDGE CENTER TRUST

AS LESSOR

AND

ZL HOTEL LLC

AS LESSEE

Page

ARTICLE I
LEASE
ARTICLE II
DEFINITIONS
ARTICLE III
RENT.163.1Rent.163.2Confirmation of Percentage Rent.233.3Additional Charges.243.4No Set Off.243.5Annual Operating Projection.243.6Books and Records.243.7Intentionally Omitted.253.8Changes in Operations.253.9Allocation of Revenues.25
ARTICLE IV
IMPOSITIONS.254.1Payment of Impositions.254.2Notice of Impositions.264.3Adjustment of Impositions.274.4Utility Charges.27
ARTICLE V
NO TERMINATION, ABATEMENT
ARTICLE VI
PROPERTY OWNERSHIP27

(i)

	6.1 6.2 6.3 6.4	Ownership of the Leased Property
ARTIC	LE VII	
	CONDITIO 7.1 7.2	DN, USE
ARTIC	LE VIII	
	LEGAL RE 8.1 8.2 8.3	EQUIREMENTS
ARTIC	LE IX	
	MAINTENA 9.1	ANCE AND REPAIRS
ARTIC	CLE X	
	ALTERATI 10.1 10.2 10.3	IONS
ARTIC	CLE XI	
	LIENS 11.1	
ARTIC	LE XII	
	PERMITTE 12.1	ED CONTESTS
ARTIC	LE XIII	
	INSURANO 13.1 13.2 13.3	CE. 37 General Insurance Requirements. 37 Replacement Cost. 40 (Intentionally deleted). 40

(ii)

13.4	Waiver of Subrogation	40
13.5	Form Satisfactory, etc	40
13.6	Increase in Limits	41
13.7	Blanket Policy	41
13.8	Separate Insurance	41
13.9	Reports On Insurance Claims	41

ARTICLE XIV

DAMAGE	AND RECONSTRUCTION	41
14.1	Insurance Proceeds	41
14.2	Reconstruction in the Event of Damage or Destruction Covered	
	by Insurance	42
14.3	Reconstruction in the Event of Damage or Destruction Not	
	Covered by Insurance	42
14.4	Lessee's Property and Business Interruption Insurance	43
14.5	Abatement of Rent	43

ARTICLE XV

CONDEM	NATION
15.1	Definitions
15.2	Parties' Rights and Obligations 44
15.3	Total Taking
15.4	Allocation of Award 44
15.5	Partial Taking
15.6	Temporary Taking

ARTICLE XVI

DEFAUL	TS	6
16.1	Events of Default 40	ô
16.2	Remedies	7
16.3	Waiver	8
16.4	Application of Funds 49	Э

ARTICLE XVII

LESSOR'S RIGHT TO CURE	
ARTICLE XVIII	

LIMITA	TIONS	49
	Personal Property Limitation	
18.2	Sublease Rent Limitation	50

(iii)

	18.3 18.4	Sublease Lessee Limitation
ARTIC	CLE XIX	
	HOLDING 19.1	OVER
ARTIC	CLE XX	
	INDEMNI 20.1	TIES
ARTIC	CLE XX	
	SUBLETT 21.1 21.2 21.3	ING AND ASSIGNMENT
ARTIC	CLE XXII	
	ESTOPPE 22.1	L CERTIFICATES
ARTIC	CLE XXII	I
	INSPECT	IONS
ARTIC	CLE XXIV	
	NO WAIV 24.1	ER
ARTIC	CLE XXV	
	CUMULAT 25.1	IVE REMEDIES
ARTIC	CLE XXVI	
	SURREND	ER

(iv)

ARTICLE XXVII

NO MER0 27.1	GER
ARTICLE XXVI	III
CONVEYA 28.1 28.2	ANCE BY LESSOR
ARTICLE XXI>	(
QUIET E 29.1	ENJOYMENT
ARTICLE XXX	
NOTICES 30.1	S
ARTICLE XXXI	[
APPRAIS 31.1	GALS
ARTICLE XXXI	II
	cionally Deleted)
ARTICLE XXXI	ſV
(Inter	ntionally Deleted)62
ARTICLE XXX	1
LESSEE 35.1 35.2 35.3 35.4 35.5 35.6	CAPITALIZATION REQUIREMENTS62Lessee's Net Worth62Lessee's Cash63Verification of Net Worth63Change of Control64Other Business Activities64Non-Competition64

(v)

ARTICLE XXXVI

ARTICLE XXXVIII		
CAPITAL EXPENDITURES		
ARTICLE XXXIX		
LESSOR'S DEFAULT		
ARTICLE XL		
ARBITRATION 40.1 Arbitration 40.2 Alternative Arbitration 40.3 Arbitration Procedures		67 68
ARTICLE XLI		
TRADE-OUTS		68
ARTICLE XLII		
MISCELLANEOUS42.1Miscellaneous42.2Transition Procedures42.3Waiver of Presentment, etc42.4Standard of Discretion42.5Action for Damages	· · · · · · · · · · · · · · · · · · ·	69 69 70 70

EXHIBITS

Exhibit A- Property Description Exhibit B- Revenue Percentages and Breakdowns Exhibit B-1- Base Rate Payments Exhibit B-2- Percentage Rental Adjustments to Second Break Points Exhibit C- Equipment Leases

(vi)

LEASE AGREEMENT

THIS LEASE AGREEMENT (hereinafter called "Lease"), made as of the _____ day

of June, 1997, by and between EDWARD H. LINDE AND MORTIMER B. ZUCKERMAN, as TRUSTEES OF TWO CAMBRIDGE CENTER TRUST u/t/d March 15, 1985 and recorded with the Middlesex South District Registry of Deeds in Book 16221, Page 423 (hereinafter called "Lessor"), and ZL HOTEL LLC, a Delaware limited liability

company (hereinafter called "Lessee"), provides as follows:

Lessor, in consideration of the payment of rent by Lessee to Lessor, the covenants and agreements to be performed by Lessee, and upon the terms and conditions hereinafter stated, does hereby rent and lease unto Lessee, and Lessee does hereby rent and lease from Lessor, the Leased Property (as hereinafter defined).

ARTICLE I

LEASE

1.1 Leased Property. The Leased Property (herein so called) is comprised of Lessor's interest in the following:

(a) the land described in Exhibit A attached hereto and by reference incorporated herein (the "Land");

incorporated nerein (the Land);

(b) all buildings, structures and other improvements of every kind including, but not limited to, alleyways and connecting tunnels, sidewalks, utility pipes, conduits and lines (on-site and off-site), parking areas and roadways appurtenant to such buildings and structures presently or hereafter situated upon the Land (collectively, the "Leased Improvements");

(c) all easements, rights and appurtenances relating to the Land and the Leased Improvements;

(d) all equipment, machinery, fixtures, and other items of property required for or incidental to the use of the Leased Improvements as a hotel, including all components thereof, now and hereafter permanently affixed to or incorporated into the Leased Improvements, including, without limitation, all furnaces, boilers, heaters, electrical equipment, heating, plumbing, lighting, ventilating, refrigerating, incineration, air and water pollution control, waste disposal, air-cooling and air-conditioning systems and apparatus, sprinkler systems and fire and theft protection equipment, all of which to the greatest extent permitted by law are hereby deemed by the parties hereto to constitute real estate, together with all replacements, modifications, alterations and additions thereto (collectively, the "Fixtures");

(e) all furniture and furnishings and all other items of personal property (excluding Inventory and personal property owned by Lessee) located on, and used in connection with, the operation of the Leased Improvements as a hotel, together with all replacements, modifications, alterations and additions thereto; and

(f) all existing occupancy leases of the Leased Property (including any security deposits or collateral held by Lessor pursuant thereto).

THE LEASED PROPERTY IS DEMISED IN ITS PRESENT CONDITION WITHOUT REPRESENTATION OR WARRANTY (EXPRESSED OR IMPLIED) BY LESSOR AND SUBJECT TO THE RIGHTS OF PARTIES IN POSSESSION, AND TO THE EXISTING STATE OF TITLE INCLUDING ALL COVENANTS, CONDITIONS, RESTRICTIONS, EASEMENTS AND OTHER MATTERS OF RECORD INCLUDING ALL APPLICABLE LEGAL REQUIREMENTS AND MATTERS WHICH WOULD BE DISCLOSED BY AN INSPECTION OF THE LEASED PROPERTY OR BY AN ACCURATE SURVEY THEREOF.

1.2 Term. The term of this Lease (the "Term") shall commence, if at all, on the date of Lessor's acquisition (the "Acquisition") of the Leased Property (the "Commencement Date") and shall end on the fifth (5th) anniversary of the

last day of the month in which the Commencement Date occurs, unless sooner terminated in accordance with the provisions hereof. In the event the Acquisition does not occur by October 31, 1997, this Lease shall terminate and be of no further force and effect.

1.3 Initial Transition.

(a) Upon the Commencement Date and pursuant to a separate Assignment and Assumption Agreement, Lessor or the prior owner of the Leased Property shall transfer and assign to Lessee, and Lessee shall assume, all occupancy agreements and operating agreements to which the Leased Property remains subject on the Commencement Date.

(b) As between Lessor and Lessee, Lessor shall be entitled to all income and shall be responsible for the payment or settlement of all expenses of the Leased Property accruing prior to the Commencement Date. Lessee shall act as Lessor's agent for the collection of all such income and shall remit the same to Lessor promptly upon Lessee's receipt thereof. Lessee shall notify Lessor of all such expenses and shall act as Lessor's payment agent for such expenses using funds provided by Lessor from time to time. On the Commencement Date, Lessee shall be entitled to receive all cash, working capital funds, bank accounts, house banks and similar accounts existing at or with respect to the Leased Property as of the Commencement Date and, as between Lessor and Lessee, Lessee shall be entitled to retain all such cash and other accounts for its own use.

ARTICLE II

DEFINITIONS

2.1 Definitions. For all purposes of this Lease, except as otherwise

expressly provided or unless the context otherwise requires, (a) the terms defined in this Article have the meanings assigned to them in this Article and include the plural as well as the singular, (b) all accounting terms not otherwise defined herein have the meanings assigned to them in accordance with GAAP, (c) all references in this Lease to designated "Articles", "Sections" and other subdivisions are to the designated Articles, Sections and other subdivisions of this Lease and (d) the words "herein," "hereof" and "hereunder" and other words of similar import refer to this Lease as a whole and not to any particular Article, Section or other subdivision:

Acquisition: As defined in Section 1.2.

Additional Charges: As defined in Section 3.3.

Affiliate: As used in this Lease the term "Affiliate" of a person shall

mean (a) any person that, directly or indirectly, controls or is controlled by or is under common control with such person, (b) any other person that owns, beneficially, directly or indirectly, ten percent or more of the outstanding capital stock, shares or equity interests of such person, or (c) any officer, director, employee, partner or trustee of such person or any person controlling, controlled by or under common control with such person (excluding trustees and persons serving in similar capacities who are not otherwise an Affiliate of such person). The term "person" means and includes individuals, corporations, general and limited partnerships, limited liability companies, stock companies or associations, joint ventures, associations, companies, trusts, banks, trust companies, land trusts, business trusts, or other entities and governments and agencies and political subdivisions thereof. For the purposes of this definition (a) "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, by contract or otherwise and (b) it is acknowledged and agreed that Lessor and Lessee are not Affiliates of each other.

Annual Food Sales Break Point(s): As used in this Lease, the term Annual

Food Sales Break Point(s) shall mean the Annual Food Sales First Break Point and the Annual Food Sales Second Break Point, in accordance with Section 3.1(b)(ii)

and Exhibit B.

Annual Food Sales First Break Point: As defined in Section 3.1(b)(ii) and Exhibit B.

- -----

Annual Food Sales Second Break Point: As defined in Section 3.1(b)(ii) and Exhibit B.

Annual Operating Projection: As used in this Lease, the term "Annual

Operating Projection" shall have the meaning set forth in Section 9.05 of the

Management Agreement.

Annual Room Revenues Break Point(s): As used in this Lease, the term

"Annual Room Revenues Break Point(s)" shall mean the Annual Room Revenues First Break Point and the Annual Room Revenues Second Break Point, in accordance with Section 3.1(b)(ii) and Exhibit B.

Annual Room Revenues First Break Point: As defined in Section 3.1(b)(ii) and Exhibit B.

Annual Room Revenues Second Break Point: As defined in Section 3.1(b)(ii) and Exhibit B.

Approval: As defined in Section 42.4.

Approved Financial Institution: As defined in Section 35.2.

Award: As defined in Section 15.1(c).

Base Rent: As defined in Section 3.1(a).

Base Rate: The prime rate (or base rate) reported in the Money Rates

column or comparable section of The Wall Street Journal as the rate then in

effect for corporate loans at large U.S. money center commercial banks, whether or not such rate has actually been charged by any such bank. If no such rate is reported in The Wall Street Journal or if such rate is discontinued, then Base

Rate shall mean such other successor or comparable rate as Lessor may reasonably designate.

Beverage Sales: Shall mean gross revenue from the sale of (i) wine, beer,

liquor or other alcoholic beverages, whether sold in a bar or lounge, delivered to or available in a guest room, sold at meetings or banquets or at any other location at the Leased Property and (ii) non-alcoholic beverages sold in a bar or lounge. Such gross revenue constituting Beverage Sales shall include sales by Lessee and its permitted subtenants, licensees and concessionaires (including Manager). Such revenue shall be determined in a manner consistent with the Uniform System and shall not include the following:

(a) Any gratuity or service charge added to a customer's bill or statement in lieu of a gratuity which is paid directly to an employee;

(b) Credits, rebates or refunds; and

(c) Sales taxes or taxes of any other kind imposed on the sale of alcoholic or other beverages.

Break Points: As defined in Section 3.1(b).

Business Day: Each Monday, Tuesday, Wednesday, Thursday and Friday that is

not a day on which national banks in the City of Boston, Massachusetts or in the municipality wherein the Leased Property is located are closed.

Capital Expenditures: Amounts advanced to pay the costs of Capital

Improvements.

Capital Expenditures Reserve: An amount equal to 6% of Gross Revenues for

each Lease Year (or such greater amount as contemplated in Article 8 of the Management Agreement), to be accrued by Lessor in accordance with the provisions

of Article XXXVIII hereof.

Capital Improvements: Improvements to (a) the external walls and internal

load bearing walls (other than windows and plate glass), (b) the roof of the Facility, (c) private roadways, parking areas, sidewalks and curbs appurtenant thereto that are under Lessee's control (other than cleaning, patching and striping) and (d) mechanical, electrical and plumbing systems that service common areas, entire wings of the Facility or the entire Facility, including conduit and ductware connected thereto. Any dispute as to whether an improvement is a capital or non-capital improvement shall be resolved by arbitration pursuant to Section 40.2, it being the intent of Lessor and Lessee

that "capital" obligations of the Lessee pursuant to Section 8.02 of the

Management Agreement are intended to be included herein.

Capital Inventory Budget: As used in this Lease, the term "Capital

Inventory Budget" shall mean the estimate of expenditures for repairs or replacement of furniture, fixtures and equipment and building repairs, prepared and delivered to Lessee by Manager pursuant to Section 8.02(F) of the Management

Agreement.

Cash: As defined in Section 35.2.

CERCLA: The Comprehensive Environmental Response, Compensation and

Liability Act of 1980, as amended.

Exhibit B-2 by which the Annual Room Revenues Second Break Point and the Annual

Food Sales Second Break Point shall be adjusted based upon the applicable $\ensuremath{\mathsf{REVPAR}}$ Change.

Claims: As defined in Section 12.1.

COBRA: The Consolidated Omnibus Budget Reconciliation Act of 1985, as

amended.

Code: The Internal Revenue Code of 1986, as amended.

Commencement Date: As defined in Section 1.2.

Company: Boston Properties, Inc., a Delaware corporation.

Comparable Lease: As defined in Section 36.1.

- - - - - - - - - -

Cumulative Monthly Portion: As defined in Section 3.1(b)(ii).

Condemnation, Condemnor: As defined in Section 15.1.

Consolidated Financials: For any fiscal year or other accounting period

for Lessee and its consolidated Subsidiaries, statements of operations, partners' capital and cash flow (or, in the case of a corporation, statements of operations, retained earnings and cash flow) for such period and for the period from the beginning of the respective fiscal year to the end of such period and the related balance sheet as at the end of such period, together with the notes to any such yearly statement, all in such detail as may be required by the SEC with respect to filings made by the Company or Lessor, and setting forth in comparative form the corresponding figures for the corresponding period in the preceding fiscal year, and prepared in accordance with GAAP and audited annually (and quarterly if required by the SEC) by Coopers & Lybrand L.L.P. or another so-called "Big Six" firm of independent certified public accountants designated by Lessor. Consolidated Financials shall be prepared on the basis of a December 31 fiscal year of Lessee, or on such other basis as Lessor shall designate.

Consumable Supplies: Office supplies, cleaning supplies, uniforms, laundry

and valet supplies, engineering supplies, fuel, stationery, soap, matches, toilet and facial tissues, and such other supplies as are consumed customarily on a recurring basis in the operation of the Facility, together with food and beverages that are to be offered for sale to guests and to the public.

Consumer Price Index: The "Consumer Price Index" published by the Bureau

of Labor Statistics of the United States Department of Labor, U.S. City Average, All Item for Urban Wage Earners and Clerical Workers (1982-1984 = 100).

Date of Taking: As defined in Section 15.1(b).

Emergency Expenditures: Expenditures required to take necessary or

appropriate actions to respond to Emergency Situations.

Emergency Situations: Fire, any other casualty, or any other events,

circumstances or conditions (including, without limitation, those involving Hazardous Materials) which threaten the safety or physical well-being of the Facility's guests or employees or which involve the risk of material property damage or material loss to the Facility.

Environmental Authority: Any department, agency or other body or component

of any Government that exercises any form of jurisdiction or authority under any Environmental Law.

Environmental Authorization: Any license, permit, order, approval, consent, notice, registration, filing or other form of permission or authorization required under any Environmental Law.

Environmental Laws: All applicable federal, state, local and foreign laws and regulations relating to pollution of the environment (including without

limitation, ambient air, surface water, ground water, land surface or subsurface strata), including without limitation laws and regulations relating to emissions, discharges, Releases or threatened Releases of Hazardous Materials or otherwise relating to the manufacture, processing, distribution, use, treatment, storage, disposal, transport or handling of Hazardous Materials. Environmental Laws include but are not limited to CERCLA, FIFRA, RCRA, SARA and TSCA.

Environmental Liabilities: Any and all actual or potential obligations to

pay the amount of any judgment or settlement, the cost of complying with any settlement, judgment or order for injunctive or other equitable relief, the cost of compliance or corrective action in response to any notice, demand or request from an Environmental Authority, the amount of any civil penalty or criminal fine, and any court costs and reasonable amounts for attorney's fees, fees for witnesses and experts, and costs of investigation and preparation for defense of any claim or any Proceeding, regardless of whether such Proceeding is threatened, pending or completed, that may be or have been asserted against or imposed upon Lessor, Lessee, any Predecessor, the Leased Property or any property used therein and arising out of:

(a) the failure to comply at any time with all Environmental Laws applicable to the Leased Property;

(b) the presence of any Hazardous Materials on, in, under, at or in any way affecting the Leased Property;

(c) a Release or threatened Release of any Hazardous Materials on, in, at, under or in any way affecting the Leased Property;

(d) the identification of Lessee, Lessor or any Predecessor as a potentially responsible party under CERCLA or under any other Environmental Law;

(e) the presence at any time of any above-ground and/or underground storage tanks, as defined in RCRA or in any applicable Environmental Law on, in, at or under the Leased Property or any adjacent site or facility; or

(f) any and all claims for injury or damage to persons or property arising out of exposure to Hazardous Materials originating or located at the Leased Property, or resulting from operation thereof or any adjoining property.

Event of Default: As defined in Section 16.1.

Existing Condition: As defined in Section 8.3(b).

Facility: The hotel and/or other facility offering lodging and other

services or amenities being operated or proposed to be operated on the Leased $\ensuremath{\mathsf{Property}}$.

FIFRA: The Federal Insecticide, Fungicide, and Rodenticide Act, as

amended.

First Tier Food Sales Percentage: As defined in Section 3.1(b)(ii) and Exhibit B.

- ----

First Tier Room Revenue Percentage: As defined in Section 3.1(b)(ii) and Exhibit B.

- ----

Fixtures: As defined in Section 1.1.

Food Sales: Shall mean (i) gross revenue from the sale of food and non-

alcoholic beverages that are prepared at the Facility and sold or delivered on or off the Facility by Lessee, its permitted subtenants, licensees, or concessionaires (including Manager) whether for cash or for credit, including in respect of guest rooms, banquet rooms, meeting rooms and other similar rooms, and (ii) gross revenue from the rental of banquet, meeting and other similar rooms. Such gross revenue constituting Food Sales shall include sales by Lessee and its permitted subtenants, licensees and concessionaires (including Manager). Such revenue shall be determined in a manner consistent with the Uniform System and shall not include the following:

(a) Vending machine sales;

(b) Any gratuities or service charges added to a customer's bill or statement in lieu of a gratuity which is paid directly to an employee;

(c) Non-alcoholic beverages sold from a bar or lounge;

(d) Credits, rebates or refunds; and

(e) Sales taxes or taxes of any other kind imposed on the sale of food or non-alcoholic beverages.

Furniture and Equipment: For purposes of this Lease, the terms "furniture

and equipment" shall mean collectively all furniture, furnishings, wall coverings, fixtures and hotel equipment and systems owned by Lessor and located at, or used in connection with, the Facility, together with all replacements therefor and additions thereto, including, without limitation, (i) all equipment and systems required for the operation of kitchens, bars and restaurants, and laundry and dry cleaning facilities, (ii) office equipment, (iii) dining room wagons, materials handling equipment, and cleaning and engineering equipment, (iv) telephone and computerized accounting systems, and (v) vehicles.

GAAP: Generally accepted accounting principles as are at the time

applicable and otherwise consistently applied.

Government: The United States of America, any city, county, state,

district or territory thereof, any foreign nation, any city, county, state, district, department, territory or other political division thereof, or any political subdivision of any of the foregoing.

Gross Revenues: All revenues, receipts, and income of any kind derived

directly or indirectly by Lessee from or in connection with the Facility whether on a cash basis or credit, paid or collected, determined in accordance with GAAP and the Uniform System, but excluding, however: (i) funds furnished by Lessor, (ii) federal, state and municipal excise, sales, and use taxes collected directly from patrons and guests or as a part of the sales price of any goods, services or displays, such as gross receipts, admissions, cabaret or similar or equivalent taxes and paid over to federal, state or municipal governments, (iii) gratuities, (iv) proceeds of insurance and condemnation, (v) proceeds from sales other than sales in the ordinary course of business, (vi) all loan proceeds from financing or refinancings of the Facility or interests therein or components thereof, (vii) judgments and awards, except any portion thereof arising from normal business operations of the Facility, and (viii) items constituting "allowances" under the Uniform System.

Hazardous Materials: All chemicals, pollutants, contaminants, wastes and toxic substances, including without limitation:

 (a) Solid or hazardous waste, as defined in RCRA or in any Environmental Law;

(b) Hazardous substances, as defined in CERCLA or in any Environmental

Law;

(c) Toxic substances, as defined in TSCA or in any Environmental Law;

(d) Insecticides, fungicides, or rodenticides, as defined in FIFRA or in any Environmental Law;

(e) Gasoline or any other petroleum product or byproduct, polychlorinated biphenyls, asbestos and urea formaldehyde;

(f) Asbestos or asbestos containing materials;

(g) Urea Formaldehyde foam insulation; and

(h) Radon gas.

Holder: Any holder of any indebtedness of the Lessor or any of its

Affiliates, any holder of a Mortgage, any purchaser of the Leased Property or any portion thereof at a foreclosure sale or any sale in lieu thereof, or any designee of any of the foregoing.

Impositions: Collectively, all taxes (including, without limitation, all

ad valorem, sales and use, occupancy, single business, gross receipts, transaction privilege, rent or similar taxes as the same relate to or are imposed upon Lessee or Lessor or Lessee's business conducted upon the Leased Property), assessments (including, without limitation, all assessments for public improvements or benefit, whether or not commenced or completed prior to the date hereof and whether or not to be completed within the Term), ground rents, water, sewer or other rents and charges, excises, tax inspection, authorization and similar fees and all other governmental charges, in each case whether general or special, ordinary or extraordinary, or foreseen or unforeseen, of every character in respect of the Leased Property or the business conducted thereon by Lessee (including all interest and penalties thereon caused by any failure in payment by Lessee), which at any time prior to, during or with respect to the Term hereof may be assessed or imposed on or with respect to or be a lien upon (a) Lessor's interest in the Leased Property, (b) the Leased Property, or any part thereof or any rent therefrom or any estate, right, title or interest therein, or (c) any occupancy, operation, use or possession of, or sales from, or activity conducted on or in connection with the Leased Property, or the leasing or use of the Leased Property or any part thereof by Lessee. Nothing contained in this definition of Impositions shall be construed to require Lessee to pay (1) any tax based on net income (whether denominated as a franchise or capital stock or other tax) imposed on Lessor or any other person, or (2) any net revenue tax of Lessor or any other person, or (3) any tax imposed with respect to the sale, exchange or other disposition by Lessor of any Leased Property or the proceeds thereof.

indemnified fully.

Indemnifying Party: Any party obligated to indemnify an Indemnified Party

pursuant to any provision of this Lease.

Initial Nonconsumable Inventory: As defined in Section 6.2(a).

Insurance Requirements: All terms of any insurance policy required by this

Lease and all requirements of the issuer of any such policy.

Inventory: All "Inventories of Merchandise" and "Inventories of Supplies"

as defined in the Uniform System, including, but not limited to, linens, china, silver, glassware and other non-depreciable personal property, and any property of the type described in Section 1221(1) of the Code.

Land: As defined in Article I.

Lease: This Lease.

Lease Year: Any twelve-month period from January 1 to December 31 during

the Term; provided that the initial Lease Year shall be the period beginning on the Commencement Date and ending on December 31, 1997, and the last Lease Year shall be the period beginning on January 1 of the calendar year in which the Term expires and ending on the last day of the month in which the Commencement Date occurs (to the extent any computation or other provision hereof provides for an action to be taken on a Lease Year basis, an appropriate proration or other adjustment shall be made in respect of the initial and final Lease Years to reflect that such periods are less than full calendar year periods).

Leased Improvements; Leased Property: Each as defined in Article I.

Legal Requirements: All federal, state, county, municipal and other

governmental statutes, laws, rules, orders, regulations, ordinances, judgments, decrees and injunctions affecting either the Leased Property or the maintenance, construction, use, operation or alteration thereof (whether by Lessee or otherwise), now or hereafter enacted and in force, including (a) all laws, rules or regulations pertaining to the environment, occupational health and safety and public health, safety or welfare, and (b) any laws, rules or regulations that may (1) require repairs, modifications or alterations in or to the Leased Property or (2) in any way adversely affect the use and enjoyment thereof; and all permits, licenses and authorizations necessary or appropriate to operate the Leased Property for its Primary Intended Use; and all covenants, agreements, restrictions and encumbrances contained in any instruments, either of record or known to Lessee (other than encumbrances hereafter created by Lessor without the consent of Lessee), at any time in force affecting the Leased Property.

Lessee: The Lessee designated on this Lease and its permitted successors

and assigns.

Lessee Indemnified Party: Lessee, any Affiliate of Lessee, any other

Person against whom any claim for indemnification may be asserted hereunder as a result of a direct or indirect ownership interest in Lessee, the officers, directors, stockholders, partners, members, employees, agents and representatives of any of the foregoing Persons and any corporate stockholder, agent, or representative of any of the foregoing Persons, and the respective heirs, personal representatives, successors and assigns of any such officer, director, stockholder, employee, agent or representative.

Lessee's Personal Property: As defined in Section 6.2.

Lessor: The Lessor designated on this Lease and its respective successors

and assigns. As of the date of this Lease the sole beneficiary of Lessor is Boston Properties Limited Partnership, a Delaware limited partnership.

Lessor Impositions: With respect to each Lease Year, an amount equal to

the aggregate amount of Capital Impositions, Real Estate Taxes and Personal Property Taxes due and payable for such Lease Year.

Lessor Indemnified Party: Lessor, any Affiliate of Lessor, including the

Company, any other Person against whom any claim for indemnification may be asserted hereunder as a result of a direct or indirect ownership interest in Lessor, the officers, directors, stockholders, partners, members, employees, agents and representatives of any of the foregoing Persons and of any stockholder, partner, member, agent, or representative of any of the foregoing Persons, and the respective heirs, personal representatives, successors and assigns of any such officer, director, partner, stockholder, employee, agent or representative.

Lessor Insurance Costs: The costs to be borne by Lessor for insurance coverages contemplated by Article XIII hereof.

Lessor Obligations: An amount equal to (a) the aggregate amount that

Lessor is obligated to pay for the Lease Year in question under the terms of this Lease for Lessor Impositions and Lessor Insurance Costs plus (b) the amount to be accrued by Lessor in the Capital Expenditures Reserve for the Lease Year in question.

Lessor's Audit: An audit by Lessor's independent certified public

accountants of the operation of the Leased Property during any Lease Year, which audit may, at Lessor's election, be either a complete audit of the Leased Property's operations or an audit of Room Revenues, Food Sales and/or Beverage Sales realized from the operation of the Leased Property during such Lease Year.

Licenses: As defined in Section 42.2.

Management Agreement: Any management agreement and/or development

agreement with a manager under which the Facility is operated, including without limitation, that certain Management Agreement dated as of October 14, 1985, as amended successively on September 24, 1986, June 20, 1994 and June ____, 1997, between Manager and Lessee, and as the same may be further amended or modified after the date hereof, with the prior written consent of Lessor.

Manager: As used in this Agreement, shall mean Marriott International, Inc.

or any permitted successor or assign.

Notice: A notice given pursuant to Article XXX.

Officer's Certificate: A certificate of Lessee reasonably acceptable to

Lessor, signed by the chief financial officer or another officer duly authorized so to sign by Lessee or a managing member of Lessee, or any other person whose power and authority to act has been authorized by delegation in writing by any such officer.

Other Leased Properties: Shall mean any other hotels, in addition to the

Leased Property, which at the time are the subject of leases in which Lessor or an Affiliate of Lessor is the landlord and Lessee or an Affiliate of Lessee is the tenant.

Other Leases: Shall mean the leases in effect at the time of applicable

determination pursuant to which Lessor or an Affiliate of Lessor leases to Lessee or an Affiliate of Lessee the Other Leased Properties.

Overdue Rate: On any date, a rate equal to the Base Rate plus 5% per

annum, but in no event greater than the maximum rate then permitted under applicable law.

Payment Date: Any due date for the payment of any installment of Rent.

Percentage Rent: As defined in Section 3.1(b).

Person: Any Government, natural person, corporation, partnership or other

legal entity.

Personal Property Limitation: As defined in Section 18.1.

 $\label{eq:personal Property Taxes: All personal property taxes imposed on the$

furniture, furnishings or other items of personal property located on, and used in connection with, the operation of the Leased Improvements as a hotel (other than Inventory and other personal property owned by the Lessee and/or its tenants, licensees, concessionaires, agents or contractors (including Manager)), together with all replacements, modifications, alterations and additions thereto.

Predecessor: Any Person whose liabilities arising under any Environmental

Law have or may have been retained or assumed by Lessor or Lessee pursuant to the provisions of this Lease.

Primary Intended Use: As defined in Section 7.2(b).

Proceeding: Any judicial action, suit or proceeding (whether civil or

criminal), any administrative proceeding (whether formal or informal), any investigation by a governmental authority or entity (including a grand jury), and any arbitration, mediation or other non-judicial process for dispute resolution.

RCRA: The Resource Conservation and Recovery Act, as amended.

Real Estate Taxes: All real estate taxes, including general and special

assessments, if any, which are imposed upon the Land and any improvements thereon.

Release: A "Release" as defined in CERCLA or in any Environmental Law,

unless such Release has been properly authorized and permitted in writing by all applicable Environmental Authorities or is allowed by such Environmental Law without authorizations or permits.

Rent: Collectively, the Base Rent, Percentage Rent and Additional Charges.

Revenue Audit: As defined in Section 3.2(b).

Revenues Computation: As defined in Section 3.1(b).

REVPAR: Means the revenue per available room of the Leased Property,

determined by dividing Room Revenues by available rooms for the applicable period.

REVPAR Change: As defined in Section 3.1(d)(ii).

Room Revenues: Gross revenue from the rental of guest rooms, whether to individuals, groups or transients, at the Facility, determined in a manner consistent with the Uniform System, excluding the following:

(a) The amount of all credits, rebates or refunds to customers, guests or patrons; and

(b) All sales taxes or any other taxes imposed on the rental of such guest rooms; and

(c) any fees collected for amenities including, but not limited to, telephone, laundry, movies or concessions.

SARA: The Superfund Amendments and Reauthorization Act of 1986, as

amended.

SEC: The U.S. Securities and Exchange Commission or any successor agency.

Second Tier Food Sales Percentage: As defined in Section 3.1(b)(ii) and Exhibit B.

- -----

Second Tier Room Revenue Percentage: As defined in Section 3.1(b)(ii) and Exhibit B.

- -----

State: The State or Commonwealth of the United States in which the Leased -----Property is located.

STR Reports: Reports compiled by Smith Travel Research which contain

historical supply and demand, occupancy, and average rate information for the Facility and hotels with which it competes.

Subsidiaries: Corporations or other entities in which Lessee owns,

directly or indirectly, 50% or more of the voting rights or control, as applicable (individually, a "Subsidiary").

Taking: A permanent or temporary taking or voluntary conveyance during the

Term hereof of all or part of the Leased Property, or any interest therein or right accruing thereto or use thereof, as the result of, or in settlement of, any Condemnation or other eminent domain proceeding affecting the Leased Property whether or not the same shall have actually been commenced.

Tax Law Change: A change in the Code (including, without limitation, a

change in the Treasury regulations promulgated thereunder) or in the judicial or administrative interpretations of the Code, which in Lessor's determination will permit Lessor or an Affiliate thereof to operate the Facility as a hotel without adversely affecting the Company's qualification for taxation as a real estate investment trust under the applicable provisions of the Code.

Tax Structure Change: A change in the corporate structure of the Company

and its Affiliates which in the Lessor's determination will permit an Affiliate of the Company to lease the Leased Property from Lessor or another Affiliate of the Company without adversely affecting the Company's qualification for taxation as a real estate investment trust under the applicable provisions of the Code.

Term: As defined in Section 1.2.

Third Tier Food Revenue Percentage: As defined in Section 3.1(b)(ii) and

- ----

Third Tier Room Revenue Percentage: As defined in Section 3.1(b)(ii) and Exhibit B.

- ----

TSCA: The Toxic Substances Control Act, as amended.

- - -

Unavoidable Delay: Delay due to strikes, lock-outs, labor unrest,

inability to procure materials, power failure, acts of God, governmental restrictions, enemy action, civil commotion, fire, unavoidable casualty, condemnation or other similar causes beyond the reasonable control of the party responsible for performing an obligation hereunder, provided that lack of funds shall not be deemed a cause beyond the reasonable control of either party hereto unless such lack of funds is caused by the breach of the other party's obligation to perform any obligations of such other party under this Lease.

Uneconomic for its Primary Intended Use: A state or condition of the

Facility such that in the judgment of Lessor the Facility cannot be operated on a commercially practicable basis for its Primary Intended Use, such that Lessor intends to, and shall, complete the cessation of

operations from the Leased Facility, if and to the extent permitted under the Management Agreement.

Uniform System: Shall mean the Uniform System of Accounts for Hotels (8th

Revised Edition, 1986) as published by the Hotel Association of New York City, Inc., as the same may hereafter be revised, and as the same is interpreted and applied by the Lessor's independent certified public accountants in connection with any Lessor's Audit.

Unsuitable for its Primary Intended Use: A state or condition of the

Facility such that in the judgment of Lessor to the extent such judgment is not prohibited under the Management Agreement, the Facility cannot function as an integrated hotel facility consistent with standards applicable to a well maintained and operated hotel comparable in quality and function to that of the Facility prior to the damage or loss.

ARTICLE III

RENT

3.1 Rent. Lessee will pay to Lessor in lawful money of the United

States of America which shall be legal tender for the payment of public and private debts, at Lessor's address set forth in Article XXX hereof or at such

other place or to such other Person, as Lessor from time to time may designate in a Notice, all Rent contemplated hereby during the Term on the basis hereinafter set forth. If there is a dispute as to the amount of Rent to be paid by Lessee, either party may submit the dispute to arbitration pursuant to

Section 40.2. However, Lessee shall be required to pay, as and when ${\sf Rent}\xspace$ is due

and payable hereunder, the amount of Rent calculated by Lessor to be due and payable until such time as the dispute is resolved by agreement between the parties or by arbitration pursuant to Section 40.2:

(a) Base Rent: During the Term, Lessee shall pay to Lessor as Base

Rent (herein so called and subject to increase as set forth in Subparagraph (d) below) the annual sum of Six Million Five Hundred Thirty Four Thousand Nine Hundred Ninety Six Dollars (\$6,534,996), which shall be payable in arrears in periodic installments on or before the earlier of (i) the twenty-fifth day after the end of each Accounting Period or (ii) the fifth day after Lessee's receipt of amounts relating to each Accounting Period pursuant to Article 5 of the

Management Agreement, in the amount for each such Accounting Period as set forth on the attached Exhibit B-1, provided, however, the monthly payment of Base Rent

shall be prorated as to any partial month.

(b) Percentage Rent: In addition to the sums payable pursuant to

subparagraph (a) above, Lessee shall, on the date of each payment of Base Rent pursuant to subparagraph (a) above during the Term hereof, pay to Lessor an amount equal to the Percentage Rent (herein so called and subject to increase as set forth in Subparagraph (d) below) payable in accordance with the provisions of this subparagraph (b). Percentage Rent shall be calculated by the following formula (the "Revenues Computation"):

(i) For any calendar month, Percentage Rent shall equal:

(1) An amount equal to the Monthly Revenues Computation (defined below), for the Lease Year in question

less

(2) An amount equal to the Base Rent paid by Lessee to Lessor for the Lease Year to date

less

(3) An amount equal to the Percentage Rent theretofore paid for the Lease Year in question to date.

(ii) "Monthly Revenues Computation" shall be computed utilizing the

following definitions:

(1) "Cumulative Monthly Portion" shall mean a fraction having

as its numerator the total number of calendar months (including partial months) in a Lease Year which have elapsed prior to the month in which a monthly payment of Percentage Rent is due, and having as its denominator the total number of calendar months (including partial months) in the Lease Year. For example, the Cumulative Monthly Portion in a 12-month Lease Year for the January Percentage Rent payment due in February will be 1/12 and for the February Percentage Rent payment due in March will be 2/12, and such progression shall continue for each successive calendar month so that the Cumulative Monthly Portion for the December Percentage Rent payment due in January of the next Lease Year will be 12/12 or 100%.

(2) "First Tier Room Revenue Percentage," "Second Tier Room

Revenue Percentage," "Third Tier Room Revenue Percentage," "First Tier Food Sales Percentage," "Second Tier Food Sales Percentage" and "Third Tier Food Sales Percentage" shall mean the percentages corresponding to each of such

(3) "Annual Room Revenues First Break Point" and "Annual Room Revenues Second Break Point" shall mean the amount of annual Room Revenues corresponding to each of such terms as set forth on Exhibit B.

(4) "Annual Food Sales First Break Point" and "Annual Foods Sales Second Break Point" shall mean the amount of annual Food Sales and Beverage Sales corresponding to each of such terms as set forth on Exhibit B.

(iii) The Monthly Revenues Computation shall be the amount obtained by adding, for the applicable Lease Year the following sums:

(1) an amount equal to the First Tier Room Revenue Percentage of all year to date Room Revenues up to (but not exceeding) the Cumulative Monthly Portion of the Annual Room Revenues First Break Point,

(2) an amount equal to the Second Tier Room Revenue Percentage of all year to date Room Revenues in excess of the Cumulative Monthly Portion of the Annual Room Revenues First Break Point up to (but not exceeding) the Cumulative Monthly Portion of the Annual Room Revenues Second Break Point,

(3) an amount equal to the Third Tier Room Revenue Percentage of all year to date Room Revenues in excess of the Cumulative Monthly Portion of the Annual Room Revenues Second Break Point,

(4) an amount equal to the First Tier Food Sales Percentage of all year to date Food Sales and Beverage Sales up to (but not exceeding) the Cumulative Monthly Portion of the Annual Food Sales First Break Point,

(5) an amount equal to the Second Tier Food Sales Percentage of all year to date Food Sales and Beverage Sales in excess of the Cumulative Monthly Portion of the Annual Food Sales First Break Point up to (but not exceeding) the Cumulative Monthly Portion of the Annual Food Sales Second Break Point, and

(6) an amount equal to the Third Tier Food Sales Percentage of all year to date Food Sales and Beverage Sales in excess of the Cumulative Monthly Portion of the Annual Food Sales Second Break Point.

(iv) If the Term begins or ends in the middle of a calendar year, then the number of months falling within the Term during such calendar year shall constitute a separate Lease Year. In that event, the Annual Room Revenues First Break Point, the Annual Room Revenues Second Break Point, the Annual Food Sales First Break Point and the Annual Food Sales Second Break Point (collectively, the "Break Points") shall each be multiplied by a fraction equal

Monthly Portion above.

(v) The obligation to pay Percentage Rent shall survive the expiration or earlier termination of the Term, and a final reconciliation, taking into account, among other relevant adjustments, any adjustments which are accrued after such expiration or termination date but which related to Percentage Rent accrued prior to such termination date, shall be made not later than sixty (60) days after such expiration or termination date.

(c) Officer's Certificates. An Officer's Certificate shall be

delivered to Lessor monthly setting forth the calculation of the Percentage Rent payment for the most recently completed month within 10 days after each month of each Lease Year during the Term. There shall be no reduction in Base Rent regardless of the results of the Monthly or Annual Revenues Computation. Percentage Rent shall be subject to confirmation and adjustment, if applicable, as set forth in Section 3.2. Notwithstanding the amounts of Percentage Rent

paid monthly pursuant to the formula set forth above, for each Lease Year during the Term commencing with the Lease Year in which the Commencement Date occurs, the Percentage Rent payable under this Lease shall be equal to the amount determined by the following formula:

The amount equal to the Annual Revenues Computation (as defined below) for the Lease Year in question

less

An amount equal to the Base Rent paid for the applicable $\ensuremath{\mathsf{Lease}}$ Year

equals

Percentage Rent for the applicable Lease Year.

The Annual Revenues Computation (herein so called) shall be the amount obtained by adding, for the applicable Lease Year, the following sums:

(1) an amount equal to the First Tier Room Revenue Percentage of Room Revenues for the applicable Lease Year up to (but not exceeding) the Annual Room Revenues First Break Point,

(2) an amount equal to the Second Tier Room Revenue Percentage of Room Revenues for the applicable Lease Year in excess of the Annual Room Revenues First Break Point up to (but not exceeding) the Annual Room Revenues Second Break Point,

(3) an amount equal to the Third Tier Room Revenue Percentage of Room Revenues for the applicable Lease Year in excess of the Annual Room Revenues Second Break Point,

(4) an amount equal to the First Tier Food Sales Percentage of Food Sales and Beverage Sales for the applicable Lease Year up to (but not exceeding) the Annual Food Sales First Break Point,

(5) an amount equal to the Second Tier Food Sales Percentage of Food Sales and Beverage Sales for the applicable Lease Year in excess of the

Annual Food Sales First Break Point up to (but not exceeding) the Annual Food Sales Second Break Point, and

(6) an amount equal to the Third Tier Food Sales Percentage of Food Sales and Beverage Sales for the applicable Lease Year in excess of the Annual Food Sales Second Break Point.

If the annual Percentage Rent due and payable for any Lease Year (as shown in the applicable Officer's Certificate) exceeds the amount actually paid as Percentage Rent by Lessee for such year, Lessee also shall pay such excess to Lessor within sixty (60) days after the end of the applicable Lease Year. If the Percentage Rent actually due and payable for such Lease Year is shown by such certificate to be less than the amount actually paid as Percentage Rent for the applicable Lease Year, Lessee shall be entitled to a credit in the amount of such overpayment against the next ensuing payment of Base Rent and/or Percentage Rent, provided, however, if such overpayment is greater than a monthly payment of Base Rent, Lessor shall pay the amount which is over and above the monthly payment of Base Rent to Lessee within thirty (30) days of such determination. Notwithstanding the foregoing, if the Annual Revenues Computation is less than the Base Rent for the applicable Lease Year, Lessee shall not be entitled to any credit or refund.

(d) CPI Adjustments REVPAR Adjustments.

(i) For each Lease Year during the Term beginning with the Lease Year commencing January 1, 1998, the Base Rent then in effect, the Annual Room Revenues First Break Point and the Annual Food Sales First Break Point then included in the Revenues Computation set forth in Section 3.1(b), shall be increased or, with respect to the Annual Room Revenues First Break Point and the Annual Food Sales First Break Point and the Annual Food Sales First Break Point and the Annual Food Sales First Break Point only, decreased as follows:

1. For the Lease Year commencing January 1, 1998 and for each Lease Year thereafter during the Term, the Consumer Price Index for the day before the day that the new Lease Year commences ("Measurement Date") shall be divided by the Consumer Price Index for the day that is twelve months preceding the Measurement Date;

2. The new Base Rent for the then current Lease Year shall be the product of the Base Rent in effect in the most recently ended Lease Year and the quotient obtained under subparagraph (1) above;

3. The new Annual Room Revenues First Break Point in the Revenues Computation described in Section 3.1(b) above for the Lease Year commencing January 1, 1998 shall be the sum of (a) the Annual Room Revenues First Break Point in effect in the Lease Year ending December 31, 1997 plus or minus, as applicable, (b) the product of such Annual Room Revenues First Break Point multiplied by the quotient obtained in subparagraph (1) above; and the new Annual Room Revenues First Break Point in the Revenue Computation for the Lease Year beginning with the Lease Year commencing January 1, 1999 and for each Lease Year thereafter

during the Term, shall be the sum of (a) the Annual Room Revenues First Break Point in effect in the most recently ended Lease Year plus or minus, as applicable, (b) the product of such Annual Room Revenues First Break Point multiplied by the quotient obtained in subparagraph (1) above; and

4. The new Annual Food Sales First Break Point in the Revenues Computation described in Section 3.1(b) above for the Lease Year commencing January 1, 1998 shall be the sum of (a) the Annual Food Sales First Break Point in effect in the Lease Year ending December 31, 1997 plus or minus, as applicable, (b) the product of such Annual Food Sales First Break Point multiplied by the quotient obtained in subparagraph (1) above; and the new Annual Food Sales Break Point in the Revenues Computation for the Lease Year beginning with the Lease Year commencing January 1, 1999 and for each Lease Year thereafter during the Term, shall be the sum of (a) the Annual Food Sales First Break Point in effect in the most recently ended Lease Year plus or minus, as applicable, (b) the product of such Annual Food Sales First Break Point multiplied by the quotient obtained in subparagraph (1) above.

In no event shall the Base Rent be reduced as a result of any changes in the Consumer Price Index.

If (1) a significant change is made in the number or nature (or both) of items used in determining the Consumer Price Index, or (2) the Consumer Price Index shall be discontinued for any reason, the Bureau of Labor Statistics shall be requested to furnish a new index comparable to the Consumer Price Index, together with information which will make possible a conversion to the new index in computing the adjusted Base Rent, Annual Room Revenues First Break Point, and Annual Food Sales First Break Point hereunder. If for any reason the Bureau of Labor Statistics does not furnish such an index and such information, the parties will instead mutually select, accept and use such other index or comparable statistics on the cost of living in various U.S. cities that is computed and published by an agency of the United States or a responsible financial periodical of recognized authority.

(ii) For each Accounting Period ending during each Lease Year during the Term, beginning with the Lease Year commencing January 1, 1998, the Annual Room Revenues Second Break Point and the Annual Food Sales Second Break Point then included in the Revenues Computations set forth in Section 3.1(b), shall be increased or decreased as follows (provided, however, that in no event shall the

Annual Room Revenues Second Break Point or the Annual Food Sales Second Break Point be adjusted during the first two (2) Accounting Periods ending during a Lease Year):

 For each Accounting Period during the Lease Year commencing January 1, 1998 and for each Accounting Period during each Lease Year thereafter during the Term (other than the first two (2) Accounting Periods ending during a Lease Year, as noted above) the "REVPAR Change" for each such Accounting Period shall be computed by dividing (x) the REVPAR for the period commencing

on the first day of the first Accounting Period ending during such Lease Year and ending on the last day of the applicable Accounting Period of the termination, by (y) the REVPAR for the period commencing on the first day of the first Accounting Period ending during the prior Lease Year and ending on the last day of the corresponding Accounting Period during the prior Lease Year. For example, the REVPAR Change for the third Accounting Period ending during a Lease Year shall be determined by dividing REVPAR for the first three Accounting Periods of such Lease Year by REVPAR for the first three Accounting Periods of the prior Lease Year. Similarly, the REVPAR Change for the fourth Accounting Period ending during a Lease Year shall be determined by dividing REVPAR for the first four Accounting Periods of such Lease Year by REVPAR for the first four Accounting Periods of the prior Lease Year. Such progression shall continue for each successive Accounting Period during each Lease Year such that the REVPAR Change for the thirteenth Accounting Period ending during a Lease Year shall be determined by dividing REVPAR for the thirteen Accounting Periods of such Lease Year by REVPAR for the thirteen Accounting Periods of the prior Lease Year:

2. The new Annual Rooms Revenue Second Break Point in the Revenues Computation described in Section 3.1(b) above for each Accounting Period ending during the Lease Year commencing January 1, 1998 shall be the sum of (a) the Annual Room Revenues Second Break Point in effect in the Lease Year ending January 31, 1997 plus or minus, as applicable, (b) the product of such Annual Room Revenues Second Break Point multiplied by the applicable Change Percentage for each Accounting Period ending during such Lease Year set forth on the attached Exhibit B-2; and the new Annual Room Revenues

Second Break Point in the Revenues Computation for each Accounting Period ending during the Lease Year beginning with the Lease Year commencing January 1, 1999 and for each Lease Year thereafter during the Term, shall be the sum of (a) the Annual Room Revenues Second Break Point in effect in the most recently ended Lease Year plus or minus, as applicable, (b) the product of such Annual Room Revenues Second Break Point multiplied by the applicable Change Percentage for each Accounting Period ending during such Lease Year set forth on the attached Exhibit B-2; and

3. The new Annual Food Sales Second Break Point in the Revenues Computation described in Section 3.1(b) above for each Accounting Period ending during the Lease Year commencing January 1, 1998 shall be the sum of (a) the Annual Food Sales Second Break Point in effect in the Lease Year ending January 31, 1997 plus or minus, as applicable, (b) the product of such Annual Food Sales Second Break Point multiplied by the applicable Change Percentage for each Accounting Period ending during such Lease Year set forth on the attached Exhibit B-2; and the new Annual Food Sales Second Break Point in the Devenues Computation for each Accounting Deriod ending

in the Revenues Computation for each Accounting Period ending during the Lease Year beginning with the Lease Year commencing January 1, 1999 and for each Lease Year thereafter during the Term, shall be the sum of (a) the Annual Food Sales Second Break Point in effect in the most recently ended Lease Year plus or minus, as applicable, (b) the product of such Annual Food Sales Second Break Point multiplied by the applicable Change Percentage for each Accounting Period ending during such Lease Year set forth on the attached Exhibit B-2.

(iii) Adjustments calculated as set forth above in the Base Rent, the Annual Room Revenues Break Point(s) and the Annual Food Sales Break Point(s) shall be effective on the first day of each calendar Lease Year (or each Accounting Period, as applicable) to which such adjusted amounts apply. If Rent is paid prior to the determination of the amount of any adjustment to Base Rent, the Annual Room Revenues Break Point(s) or the Annual Foods Sales Break Point(s) applicable for such period, whether because of a delay in the publication of the Consumer Price Index or the determination of applicable REVPAR or because of any other reason, payment adjustments for any shortfall in or overpayment of Rent paid shall be made with the first Base Rent and Percentage Rent payments due after the amount of the adjustments are determined.

3.2 Confirmation of Percentage Rent.

(a) Lessee shall utilize, or cause to be utilized, an accounting system for the Leased Property in accordance with GAAP and the Uniform System, that will accurately record all data necessary to compute Percentage Rent, and Lessee shall retain, for at least five (5) years after the expiration of each Lease Year, reasonably adequate records conforming to such accounting system showing all data necessary to conduct Lessor's Audit and to compute Percentage Rent for the applicable Lease Years.

(b) Lessor shall have the right from time to time by its accountants or representatives to audit such information in connection with Lessor's Audit, and to examine all Lessee's records (including supporting data and sales and excise tax returns) reasonably required to complete Lessor's Audit and to verify Percentage Rent, subject to any prohibitions or limitations on disclosure of any such data under Legal Requirements. If any Lessor's Audit discloses a deficiency in the payment of Percentage Rent, and either Lessee agrees with the result

of Lessor's Audit or the matter is otherwise determined or compromised, Lessee shall forthwith pay to Lessor the amount of the deficiency, as finally agreed or determined, together with interest at the Overdue Rate from the date when said payment should have been made to the date of payment thereof; provided, however, that as to any Lessor's Audit that is commenced more than one (1) year after the end of any Lease Year, the deficiency, if any, with respect to such Percentage Rent shall bear interest at the Overdue Rate only from the date such determination of deficiency is made unless such deficiency is the result of gross negligence or willful misconduct on the part of Lessee, in which case interest at the Overdue Rate will accrue from the date such payment should have been made to the date of payment thereof. In addition to the amounts described above in this Section 3.2(b), if any Lessor's Audit discloses a deficiency in

the payment of Percentage Rent which, as finally agreed or determined, exceeds 3%, Lessee shall pay the costs of the portion of Lessor's Audit allocable to the determination of Gross Revenues (the "Revenue Audit"). In no event shall Lessor

undertake a Lessor's Audit more than five (5) years after the last day of the Lease Year for which such audit is requested.

(c) Any proprietary information obtained by Lessor pursuant to the provisions of this Section shall be treated as confidential, except that such information may be used, subject to appropriate confidentiality safeguards, in any litigation between the parties and except further that Lessor may disclose such information to prospective lenders and investors and to any other persons to whom disclosure is necessary or appropriate to comply with applicable laws, regulations and government requirements.

(d) The obligations of Lessee and Lessor contained in this Section shall survive the expiration or earlier termination of this Lease. Any dispute as to the existence or amount of any deficiency in the payment of Percentage Rent as disclosed by Lessor's Audit shall, if not otherwise settled by the parties, be submitted to arbitration pursuant to the provisions of Section 40.2.

3.3 Additional Charges. In addition to the Base Rent and Percentage

Rent, Lessee also will pay and discharge as and when due and payable the following: (a) all other amounts, liabilities, obligations and Impositions that Lessee assumes or agrees to pay under this Lease, and (b) in the event of any failure on the part of Lessee to pay any of those items referred to in clause (a) of this Section 3.3, Lessee also will promptly pay and discharge every fine,

penalty, interest and cost that may be added for non-payment or late payment of such items. The items referred to in clauses (a) and (b) of this Section 3.3

shall be additional rent hereunder and shall be referred to herein collectively as the "Additional Charges". Lessor shall have all legal, equitable and

contractual rights, powers and remedies provided either in this Lease or by statute or otherwise in the case of non-payment of the Additional Charges as in the case of non-payment of the Base Rent. If any installment of Base Rent, Percentage Rent or Additional Charges (but only as to those Additional Charges that are payable directly to Lessor) shall not be paid on its due date, Lessee will pay Lessor within ten (10) days of demand, as Additional Charges, a late charge (to the extent permitted by law) equal to the greater of (i) interest computed at the Overdue Rate on the amount of such installment, from the due date of such installment to the date of payment thereof, or (b) five percent (5%) of such amount. To the extent that Lessee pays any Additional Charges to

Lessor pursuant to any requirement of this Lease, Lessee shall be relieved of its obligation to pay such Additional Charges to the entity to which they would otherwise be due and Lessor shall pay the same from monies received from Lessee.

3.4 No Set Off. Rent shall be paid to Lessor without set off,

deduction or counterclaim; provided, however, that Lessee shall have the right of offset to the extent specifically provided in Section 39.1 and the right to

assert any claim or counterclaim in a separate action brought by Lessee under this Lease or to assert any mandatory counterclaim in any action brought by Lessor under this Lease.

3.5 Annual Operating Projection. Not later than twenty-five (25)

days prior to the commencement of each Lease Year, Lessee shall submit to Lessor an Annual Operating Projection and a Capital Inventory Budget prepared in accordance with the requirements of Section 8.02(F) and Section 9.05 of the

Management Agreement.

 ${\tt 3.6}$ ${\tt Books} \ {\tt and} \ {\tt Records}$. Lessee shall keep and shall cause Manager to

keep, full and adequate books of account and other records reflecting the results of operation of the Facility on an accrual basis, all in accordance with the Uniform System and GAAP and the obligations of Lessee under this Lease. The books of account and all other records relating to or reflecting the operation of the Facility shall be kept either at the Facility or at Lessee's offices in Boston, Massachusetts and shall be available to Lessor and its representatives and its auditors or accountants, at all reasonable times for examination, audit, inspection, and transcription. All of such books and records pertaining to the Facility including, without limitation, books of account, guest records and front office records, at all times shall be the property of Lessor and shall not be removed from the Facility or Lessee's offices without Lessor's prior written approval. Lessee shall be entitled to make copies of any or all such books and records for its own files. Lessee's obligations under this Section 3.6 shall

survive termination of this Lease for any reason.

- 3.7 Intentionally Omitted.
- -----
- 3.8 Changes in Operations. Without Lessor's prior written consent,

Lessee shall not (i) provide food and/or beverage operations at the Facility if not presently provided, (ii) discontinue any food and/or beverage operations which are presently provided, or (iii) convert a subtenant, licensee or concessionaire to an operating department of the Facility or vice-versa.

3.9 Allocation of Revenues. In the event that individuals or groups

purchase rooms, food and beverage and/or the use of other hotel facilities or services together or as part of a package, Lessee agrees that revenues shall be allocated among Room Revenues, Food Sales, Beverage Sales and/or other revenue categories, as applicable, in a reasonably manner consistent with the historical allocation of such revenues.

ARTICLE IV

IMPOSITIONS

4.1 Payment of Impositions.

(a) Subject to Article XII relating to permitted contests, Lessee will

pay, or cause to be paid, all Impositions (other than Lessor Impositions, which shall be paid by Lessor) before any fine, penalty, interest or cost may be added for non-payment, such payments to be made directly to the taxing or other authorities where feasible, and will promptly furnish to Lessor copies of official receipts or other satisfactory proof evidencing such payments. Lessee's obligation to pay such Impositions shall be deemed absolutely fixed upon the date such Impositions become a lien upon the Leased Property or any part thereof, subject to Lessee's right of contest pursuant to the provisions of Article XII. If any such Imposition may, at the option of the taxpayer,

lawfully be paid in installments (whether or not interest shall accrue on the unpaid balance of such Imposition), Lessee may exercise the option to pay the same (and any accrued interest on the unpaid balance of such Imposition) in installments payable during the Term and in such event, shall pay such installments and any unpaid balance of such Impositions prior to the expiration or earlier termination of the Term hereof and before any fine, penalty, premium, further interest or cost may be added thereto.

(b) Lessor, at its expense, shall, to the extent required or permitted by applicable law, prepare and file all tax returns in respect of Lessor's net income, gross receipts, sales and use, single business, transaction privilege, rent, ad valorem, franchise taxes, Real Estate Taxes, Personal Property Taxes and taxes on its capital stock, and Lessee, at its expense, shall, to the extent required or permitted by applicable laws and regulations, prepare and file all other tax returns and reports in respect of any Imposition as may be required by governmental authorities.

(c) If any refund shall be due from any taxing authority in respect of any Imposition paid by Lessee, the same shall be paid over to or retained by Lessee if no Event of Default shall have occurred hereunder and be continuing. If an Event of Default shall have been declared by Lessor and be continuing, any such refund shall be paid over to or retained by Lessor. Any such funds retained by Lessor due to an Event of Default shall be applied as provided in Article XVI.

(d) Lessor and Lessee shall, upon request of the other, cooperate with the other party and otherwise provide such data as is maintained by the party to whom the request is made with respect to the Leased Property as may be necessary to prepare any required returns and reports. Lessee shall file all Personal Property Tax returns in such jurisdictions where it is legally required to so file. Lessor, to the extent it possesses the same, and Lessee, to the extent it possesses the same, will provide the other party, upon request, with cost and depreciation records necessary for filing returns for any property classified as personal property. Where Lessor is

legally required to file Personal Property Tax returns, Lessee shall provide Lessor with copies of assessment notices in sufficient time for Lessor to file a protest.

(e) Lessor may, upon notice to Lessee and to the extent not prohibited by the Management Agreement, at Lessor's option and at Lessor's sole expense, protest, appeal, or institute such other proceedings (in its or Lessee's name) as Lessor may deem appropriate to effect a reduction of real estate or personal property assessments for those Impositions to be paid by Lessor, and Lessee, at Lessor's expense as aforesaid, shall fully cooperate with Lessor in such protest, appeal, or other action. Lessor hereby agrees to indemnify, defend, and hold harmless Lessee from and against any claims, obligations, and liabilities against or incurred by Lessee in connection with such cooperation. Billings for reimbursement of Personal Property Taxes by Lessee to Lessor shall be accompanied by copies of a bill therefor and payments thereof which identify the personal property with respect to which such payments are made. Lessor, however, reserves the right to effect any such protest, appeal or other action and, upon notice to Lessee, shall control any such activity, which shall then proceed at Lessor's sole expense. Upon such notice, Lessee, at Lessor's expense, shall cooperate fully with such activities.

(f) To the extent received by it, Lessee shall furnish Lessor with copies of all assessment notices for Real Estate Taxes and Personal Property Taxes in sufficient time for Lessor to file a protest and pay such taxes without penalty. Lessor shall within thirty (30) days after making such payment furnish Lessee with evidence of payment of Capital Impositions, Real Estate Taxes and Personal Property Taxes.

4.2 Notice of Impositions. Lessor shall give prompt Notice to Lessee

of all Impositions payable by Lessee hereunder of which Lessor at any time has knowledge, provided that Lessor's failure to give any such Notice shall in no way diminish Lessee's obligations hereunder to pay such Impositions, but if Lessee did not otherwise have knowledge of such Imposition sufficient to permit it to pay same, such failure shall obviate any default hereunder for a reasonable time after Lessee receives Notice of any Imposition which it is obligated to pay during the first taxing period applicable thereto.

4.3 Adjustment of Impositions. Impositions payable by Lessee which

are imposed in respect of the tax-fiscal period during which the Term terminates shall be adjusted and prorated between Lessor and Lessee, whether or not such Imposition is imposed before or after such termination, and Lessee's obligation to pay its prorated share thereof after termination shall survive such termination.

4.4 Utility Charges. Lessee will be solely responsible for obtaining

and maintaining utility services to the Leased Property and will pay or cause to be paid all charges for electricity, gas, oil, water, sewer and other utilities used in the Leased Property during the Term.

ARTICLE V

NO TERMINATION, ABATEMENT

5.1 No Termination, Abatement. Except as otherwise specifically

provided in this Lease, Lessee, to the extent permitted by law, shall remain bound by this Lease in accordance with its terms and shall neither take any action without the written consent of Lessor to modify, surrender or terminate the same, nor seek nor be entitled to any abatement, deduction, deferment or reduction of the Rent, or setoff against the Rent, nor shall the obligations of Lessee be otherwise affected by reason of (a) any damage to, or destruction of, any Leased Property or any portion thereof from whatever cause or any Taking of the Leased Property or any portion thereof, (b) any bankruptcy, insolvency, reorganization, composition, readjustment, liquidation, dissolution, winding up or other proceedings affecting Lessor or any assignee or transferee of Lessor, or (c) for any other cause whether similar or dissimilar to any of the foregoing other than a discharge of Lessee from any such obligations as a matter of law. Lessee hereby specifically waives all rights, arising from any default under this Lease by Lessor which may now or hereafter be conferred upon it by law to (1) modify, surrender or terminate this Lease or quit or surrender the Leased Property or any portion thereof, or (2) entitle Lessee to any abatement, reduction, suspension or deferment of or set off against the Rent or other sums payable by Lessee hereunder, except as otherwise specifically provided in this Lease. The obligations of Lessee hereunder shall be separate and independent covenants and agreements and the Rent and all other sums payable by Lessee hereunder shall continue to be payable in all events unless the obligations to pay the same shall be terminated pursuant to the express provisions of this Lease or by termination of this Lease other than by reason of an Event of Default.

ARTICLE VI

PROPERTY OWNERSHIP

6.1 Ownership of the Leased Property. Lessee acknowledges that the

Leased Property is the property of Lessor and that Lessee has only the right to the possession and use of the Leased Property upon the terms and conditions of this Lease.

6.2 Lessee's Personal Property.

(a) Upon commencement of the Term, (i) Lessor shall transfer (to the extent owned by Lessor) to Lessee all Consumable Supplies at the Facility for their fair market value, and (ii) Lessor shall transfer (to the extent owned by Lessor) to Lessee all Nonconsumable Inventory located at the Facility on the Commencement Date (the "Initial Nonconsumable Inventory"). At all times during

the Term, Lessee shall maintain, or cause Manager to maintain, Inventory consistent with the amount of inventory which is customarily maintained in a hotel of the type and character of the Facility and is otherwise required to operate the Leased Property in the manner contemplated by this Lease and in compliance with the Management Agreement and all Legal Requirements. All Inventory, to the extent not owned by the Manager pursuant to the

Management Agreement, shall be the property of Lessee, subject to Lessee's obligations under Section 6.2(b). Lessee may (and shall as provided

hereinbelow), at its expense, but subject to the Management Agreement, install, affix or assemble or place on any parcels of the Land or in any of the Leased Improvements, any items of personal property (including Inventory) owned by Lessee (collectively, the "Lessee's Personal Property"). Lessee may, subject

to the second sentence of this Section 6.2(a) and the conditions set forth in

Section 6.2(b) below, remove any of Lessee's Personal Property set forth on such -

list at any time during the Term or upon the expiration or any prior termination of the Term. All of Lessee's Personal Property, other than Inventory, not removed by Lessee within thirty (30) days following the expiration or earlier termination of the Term shall be considered abandoned by Lessee and may be appropriated, sold, destroyed or otherwise disposed of by Lessor without first giving Notice thereof to Lessee, without any payment to Lessee and without any obligation to account therefor. Lessee will, at its expense, restore the Leased Property to the condition required by Section 9.1(d), including repair of all

damage to the Leased Property caused by the removal of Lessee's Personal Property, whether effected by Lessee or Lessor.

(b) Lessor and Lessee agree that the transfer of Consumable Supplies and Initial Nonconsumable Inventory from Lessor to Lessee upon commencement of the Term shall be treated as a sale of the Initial Nonconsumable Inventory for the fair market value thereof (the "Purchase Price"). The Purchase Price, plus

interest thereon at the applicable federal rate published pursuant to Section 1274(d) of the Internal Revenue Code of 1986, as amended, shall be payable in equal monthly installments over the Term and shall be credited against amounts of Base Rent and Percentage Rent payable under this Lease. Nothing in this

Section 6.2(b) shall be interpreted to give rise to any obligation of Lessee to

make any payment to Lessor, but instead this Section 6.2(b) is intended to

characterize payments otherwise denominated as Rent as payments of the Purchase Price and interest thereon. Lessor and Lessee shall determine the Purchase Price in their joint inventory of the Facility to be conducted within fifteen (15) days of the date hereof.

6.3 Lessor's Lien. To the fullest extent permitted by applicable

law, Lessor is granted a lien and security interest on all Lessee's Personal Property now or hereinafter placed in or upon the Leased Property, and such lien and security interest shall remain attached to such Lessee's Personal Property until payment in full of all Rent and satisfaction of all of Lessee's obligations hereunder; provided, however, Lessor shall subordinate its lien and security interest only to that of any non-Affiliate of Lessee which finances such Lessee's Personal Property or any non-Affiliate conditional seller of such Lessee's Personal Property, the terms and conditions of such subordination to be satisfactory to Lessor in the exercise of reasonable discretion. Lessee shall, upon the request of Lessor, execute such financing statements or other documents or instruments reasonably requested by Lessor to perfect the lien and security interests herein granted.

6.4 Equipment Lease Property. Personal property utilized at the

Facility which is leased pursuant to the equipment leases listed on $\mathsf{Exhibit}\ \mathsf{C}$

and which expire on or before the termination of this Lease shall, at the option of Lessor, become the property of Lessor without the payment of additional consideration by Lessor except for any consideration which must be paid to the equipment lessor on expiration of the equipment lease to acquire title thereto. Lessee shall

cooperate with Lessor to assume the transfer of title to such leased property to Lessor and shall give Notice to Lessor of any such leases and of the expiration dates thereof. Lessor shall, at Lessor's cost, acquire title to or replace such leased property with funds other than the Capital Expenditures Reserve when the leases for such leased property expire and make such property or replacement property available to Lessee hereunder during the Term of this Lease.

ARTICLE VII

CONDITION, USE

7.1 Condition of the Leased Property. Lessee acknowledges receipt

and delivery of possession of the Leased Property. Lessee has examined and otherwise has knowledge of the condition of the Leased Property and has found the same to be satisfactory for its purposes hereunder. Lessee is leasing the Leased Property "as is", "with all faults", and in its present condition. Except as otherwise specifically provided herein, Lessee waives any claim or action against Lessor in respect of the condition of the Leased Property. LESSOR MAKES NO WARRANTY OR REPRESENTATION, EXPRESS OR IMPLIED, IN RESPECT OF THE LEASED PROPERTY, OR ANY PART THEREOF, EITHER AS TO ITS FITNESS FOR USE, DESIGN OR CONDITION FOR ANY PART THEREOF, EITHER AS TO ITS FITNESS FOR USE, MAGREED THAT ALL SUCH RISKS ARE TO BE BORNE BY LESSEE. LESSEE ACKNOWLEDGES THAT THE LEASED PROPERTY HAS BEEN INSPECTED BY LESSEE AND IS SATISFACTORY TO IT.

7.2 Use of the Leased Property.

(a) Lessee covenants that it will, or will cause Manager to, obtain and maintain, all permits, licenses and approvals, including, without limitation, liquor licenses, needed to use and operate the Leased Property and the Facility under applicable local, state and federal law, the Management Agreement.

(b) Lessee shall use or cause to be used the Leased Property only as a hotel facility, and for such other uses as may be necessary or incidental to such use, or such other use as otherwise approved by Lessor (the "Primary

Intended Use"). Lessee shall not use the Leased Property or any portion thereof

for any other use without the prior written consent of Lessor. No use shall be made or permitted to be made of the Leased Property, and no acts shall be done, which will cause the cancellation of any insurance policy covering the Leased Property or any part thereof (unless another adequate policy satisfactory to Lessor is available and Lessee pays any premium increase), nor shall Lessee sell or permit to be kept, used or sold in or about the Leased Property any article which is prohibited by law or fire underwriter's regulations. Lessee shall comply, and shall cause Manager to comply, with all of the requirements pertaining to the Leased Property of any insurance board, association, organization or company necessary for the maintenance of insurance, as herein provided, covering the Leased Property and Lessee's Personal Property, which compliance shall be performed at Lessee's sole cost except to the extent that such

compliance requires the performance of a Capital Improvement or the payment of a Capital Imposition which are not the Manager's obligation under the Management Agreement.

(c) Subject to the provisions of Articles XIV and XV, Lessee covenants

and agrees that during the Term it will (1) continuously operate and cause the Manager to continuously operate the Leased Property as a hotel facility, (2) keep in full force and effect and comply in all material respects with all the provisions of the Management Agreement and cause the Manager to comply in all material respects with all of the provisions of the Management Agreement, (3) not enter into, terminate or amend in any respect any Management Agreement without the consent of Lessor, (4) maintain or cause to be maintained, appropriate certifications and licenses for such use and (5) keep Lessor advised of the status of any litigation affecting the Leased Property.

(d) Lessee shall not commit or suffer to be committed any waste on the Leased Property, or in the Facility, nor shall Lessee cause or permit any nuisance thereon.

(e) Lessee shall neither suffer nor permit the Leased Property or any portion thereof, or Lessee's Personal Property, to be used in such a manner as (1) might reasonably tend to impair Lessor's (or Lessee's, as the case may be) title thereto or to any portion thereof, or (2) may reasonably make possible a claim or claims of adverse usage or adverse possession by the public, as such, or of implied dedication of the Leased Property or any portion thereof.

(f) Lessee acknowledges and agrees that all employees involved in the use and operation of the Leased Property shall be employees of Lessee, Manager, or one of their Affiliates and not of Lessor or any of its Affiliates. Lessee, the Manager, and their respective Affiliates shall fully comply with all Legal Requirements and all collective bargaining and other agreements applicable to such employees. Upon the expiration or earlier termination of this Lease, all such employees shall be terminated or retained by Lessee, Manager or their respective Affiliates, as applicable, and Lessee, Manager or their respective Affiliates, as applicable, shall provide any required notices or other rights to such employees, all without liability to Lessor or the Leased Property, or any other owner, lessee or manager of the Leased Property. Payment of all costs and expenses associated with accrued but unpaid salary, earned but unpaid vacation pay, accrued but unearned vacation pay, pension and welfare benefits, the Consolidated Omnibus Budget Reconciliation Act of 1985, as amended ("COBRA")

benefits, employee fringe benefits, employee termination payments or any other employee benefits due to such employees, shall be the sole responsibility and obligation of and shall be paid when due by Lessee, Manager or their respective Affiliates, as applicable. Upon the expiration or earlier termination of this Lease, any owner, manager or lessee of the Leased Property shall have the right, but not the obligation, to extend offers of employment to some or all of such employees on such terms and conditions as are determined solely in such party's discretion; and Lessee shall, and shall cause Manager to, use reasonable efforts to assist such party in its efforts to secure satisfactory employment arrangements with such employees. Lessee, Manager or their respective Affiliates, as applicable, shall provide any notices, coverages or other rights as shall be required to comply with the medical coverage continuation requirements of COBRA to any persons who are entitled to such rights by virtue of the maintenance of any group health plan by Lessee, Manager or their respective Affiliates, as

applicable, and shall maintain, or cause an affiliate company to maintain, a group health plan that such person shall be entitled to participate in for the maximum period required by COBRA. Lessee shall indemnify, defend and hold harmless Lessor, the Leased Property, and any other owner, lessee or manager of the Leased Property, from and against any and all claims, causes of action, proceedings, judgments, damages, penalties, liabilities, costs and expenses (including reasonable attorney's fees and disbursements) arising out of the employment or termination of employment of or failure to offer employment to any employee or prospective employee by Lessee, Manager or their respective Affiliates, including, without limitation, claims of discrimination, sexual harassment, breaches of employment or collective bargaining agreements, or the failure of Lessee, Manager or any of their Affiliates to comply with the provisions of this section. The indemnification rights and obligations provided for in this section shall survive the termination of this Lease.

ARTICLE VIII

LEGAL REQUIREMENTS

8.1 Compliance with Legal and Insurance Requirements. Subject to

Sections 8.2 and 8.3 and Article XII relating to permitted contests, Lessee, at

its expense, will promptly (a) comply with all applicable Legal Requirements and Insurance Requirements in respect of the use, operation, maintenance, repair and restoration of the Leased Property, and (b) procure, maintain and comply, or cause Manager to procure, maintain and comply, with all appropriate licenses and other authorizations required for any use of the Leased Property and Lessee's Personal Property then being made, and for the proper erection, installation, operation and maintenance of the Leased Property or any part thereof.

8.2 Legal Requirement Covenants. Subject to Section 8.3, Lessee

covenants and agrees that (i) the Leased Property and Lessee's Personal Property shall not be used for any unlawful purpose, and that Lessee shall not permit or suffer to exist any unlawful use of the Leased Property by others, (ii) Lessee shall or shall cause Manager to acquire and maintain all appropriate licenses, certifications, permits and other authorizations and approvals needed to operate the Leased Property in its customary manner for the Primary Intended Use, and any other lawful use conducted on the Leased Property as may be permitted from time to time hereunder and (iii) Lessee's use of the Leased Property and maintenance, alteration, and operation of the same, and all parts thereof, shall at all times conform to all Legal Requirements, unless the same are finally determined by a court of competent jurisdiction to be unlawful (and Lessee shall cause all such sub-tenants, invitees or others (including Manager) to so comply with all Legal Requirements).

8.3 Environmental Covenants. Lessor and Lessee (in addition to, and

not in diminution of, Lessee's covenants and undertakings in Sections 8.1 and 8.2 hereof) covenant and agree as follows:

(a) At all times hereafter until Lessee completely vacates the Leased Property and surrenders possession of the same to Lessor, Lessee shall fully comply with all Environmental Laws applicable to the Leased Property and the operations thereon, except to the extent that such compliance would require the remediation of Environmental Liabilities for which Lessee has no indemnity obligations under Section 8.3(b). Lessee agrees to give Lessor prompt written

notice of (1) all Environmental Liabilities; (2) all pending, threatened or anticipated Proceedings, and all notices, demands, requests or investigations, relating to any Environmental Liability or relating to the issuance, revocation or change in any Environmental Authorization required for operation of the Leased Property; (3) all Releases at, on, in, under or in any way affecting the Leased Property, or any Release known by Lessee at, on, in or under any property adjacent to the Leased Property; and (4) all facts, events or conditions that could reasonably lead to the occurrence of any of the above-referenced matters.

(b) LESSEE WILL PROTECT, INDEMNIFY, HOLD HARMLESS AND DEFEND LESSOR INDEMNIFIED PARTIES FROM AND AGAINST ANY AND ALL ENVIRONMENTAL LIABILITIES TO THE EXTENT PERMITTED BY LAW INCLUDING THOSE RESULTING FROM A LESSOR INDEMNIFIED PARTIES' OWN NEGLIGENCE except to the extent that the same (i) are caused by the intentionally wrongful acts or grossly negligent failures to act of Lessor, or (ii) result from conditions existing at the Leased Property at the date of this Lease (an "Existing Condition") or from Releases or other violations of

Environmental Laws originating on adjacent property but affecting the Leased Property (a "Migration"), provided that in either case such exclusions shall not

apply to the extent that the Existing Condition or the Migration has been exacerbated by Lessee's act or negligent failure to act.

(c) Lessor hereby agrees to defend, indemnify and save harmless any and all Lessee Indemnified Parties from and against any and all Environmental Liabilities to the extent that the same were caused by the intentionally wrongful acts or grossly negligent failures to act of Lessor.

(d) If any Proceeding is brought against any Indemnified Party in respect of an Environmental Liability with respect to which such Indemnified Party may claim indemnification under either Section 8.3(b) or (c), the

Indemnifying Party, upon request, shall at its sole expense resist and defend such Proceeding, or cause the same to be resisted and defended by counsel designated by the Indemnifying Party and approved by the Indemnified Party, which approval shall not be unreasonably withheld or delayed; provided, however, that such approval shall not be required in the case of defense by counsel designated by any insurance company undertaking such defense pursuant to any applicable policy of insurance. Each Indemnified Party shall have the right to employ separate counsel in any such Proceeding and to participate in the defense thereof, but the fees and expenses of such counsel will be at the sole expense of such Indemnified Party unless a conflict of interest prevents representation of such Indemnified Party by the counsel selected by the Indemnifying Party and such separate counsel has been approved by the Indemnifying Party, which approval shall not be unreasonably withheld or delayed. The Indemnifying Party shall not be liable for any settlement of any such Proceeding made without its

consent, which shall not be unreasonably withheld or delayed, but if settled with the consent of the Indemnifying Party, or if settled without its consent (if its consent shall be unreasonably withheld), or if there be a final, nonappealable judgment for an adversary party in any such Proceeding, the Indemnifying Party shall indemnify and hold harmless the Indemnified Parties from and against any liabilities incurred by such Indemnified Parties by reason of such settlement or judgement.

(e) At any time any Indemnified Party has reason to believe circumstances exist which could reasonably result in an Environmental Liability, upon reasonable prior written notice to Lessee stating such Indemnified Party's basis for such belief, an Indemnified Party shall be given immediate access to the Leased Property (including, but not limited to, the right to enter upon, investigate, drill wells, take soil borings, excavate, monitor, test, cap and use available land for the testing of remedial technologies), Lessee's employees, and to all relevant documents and records regarding the matter as to which a responsibility, liability or obligation is asserted or which is the subject of any Proceeding; provided that such access may be conditioned or restricted as may be reasonably necessary to ensure compliance with law and the safety of personnel and facilities or to protect confidential or privileged information and shall also be subject to any limitations set forth in the Management Agreement. All Indemnified Parties requesting such immediate access and cooperation shall endeavor to coordinate such efforts to result in as minimal interruption of the operation of the Leased Property as practicable.

(g) The indemnification rights and obligations provided for in this Article VIII shall survive the termination of this Lease.

For purposes of this Section 8.3, all amounts for which any

Indemnified Party seeks indemnification shall be computed net of (a) any actual income tax benefit resulting therefrom to such Indemnified Party, (b) any insurance proceeds received (net of tax effects) with respect thereto, and (c) any amounts recovered (net of tax effects) from any third parties based on claims the Indemnified Party has against such third parties which reduce the damages that would otherwise be sustained; provided that in all cases, the timing of the receipt or realization of insurance proceeds or income tax benefits or recoveries from third parties shall be taken into account in determining the amount of reduction of damages. Each Indemnified Party agrees to use its reasonable efforts to pursue, or assign to Lessee or Lessor, as the case may be, any claims or rights it may have against any third party which would materially reduce the amount of damages otherwise incurred by such Indemnified Party.

MAINTENANCE AND REPAIRS

9.1 Maintenance and Repair.

(a) Except as provided in Section 9.1(b), Lessee will, or will cause

the Manager to, keep the Leased Property and all parts thereof, including without limitation, all private roadways, sidewalks, curbs and other appurtenances thereto that are under Lessee's control, and including without limitation windows and plate glass, parking lots, HVAC, mechanical, electrical and plumbing systems and equipment (including conduit and ductware), in good order and repair and, if applicable, in compliance with the standards of the Management Agreement (whether or not the need for such repairs occurred as a result of Lessee's use, any prior use, the elements or the age of the Leased Property or any portion thereof) ordinary wear and tear excepted except for the obligation to make necessary and appropriate repairs, replacements and improvements as provided in this Section 9.1(a), and, except as otherwise

provided in Section 9.1(b), Article XIV or Article XV, with reasonable

promptness, make all necessary and appropriate repairs, replacements and improvements thereto of every kind and nature, whether interior or exterior ordinary or extraordinary, foreseen or unforeseen or arising by reason of a condition existing prior to the commencement of the Term of this Lease (concealed or otherwise), or required by any governmental agency having jurisdiction over the Leased Property. All repairs shall, to the extent reasonably achievable, be at least equivalent in quality to the original work. Lessee will not take or omit to take any action, the taking or omission of which might materially impair the value or the usefulness of the Leased Property or any part thereof for its Primary Intended Use. If Lessee fails to make any required repairs or replacements after fifteen (15) days notice from Lessor, or after such longer period as may be reasonably required provided that Lessee at all times diligently proceeds with such repair or replacement, then Lessor shall have the right, but shall not be obligated, to make such repairs or replacements on behalf of and for the account of Lessee. In such event, such work shall be paid for in full by Lessee as Additional Charges.

(b) Notwithstanding Lessee's obligations under Section 9.1(a) above

but subject to the limitations on Lessor's obligations for Capital Expenditures set forth in Article XXXVIII and the terms and conditions set forth in Article 8 $\,$

of the Management Agreement, unless caused by Lessee's negligence or willful misconduct or that of its employees, contractor or agents, Lessor shall be required to make all Capital Expenditures. Except as set forth in the preceding sentence, Lessor shall not under any circumstances be required to build or rebuild any improvement on the Leased Property, or to make any repairs, replacements, alterations, restorations or renewals of any nature or description to the Leased Property, whether ordinary or extraordinary, foreseen or unforeseen, or to make any expenditure whatsoever with respect thereto, in connection with this Lease, or to maintain the Leased Property in any way. Lessee hereby waives, to the extent permitted by law, the right to make repairs at the expense of Lessor pursuant to any law in effect at the time of the execution of this Lease or hereafter enacted. Lessor shall have the right to give, record and post, as appropriate, notices of non-responsibility under any mechanic's lien laws now or hereafter existing.

(c) Nothing contained in this Lease and no action or inaction by Lessor shall be construed as (1) constituting the request of Lessor, expressed or implied, to any contractor, subcontractor, laborer, materialman or vendor to or for the performance of any labor or services or the furnishing of any materials or other property for the construction, alteration, addition, repair or demolition of or to the Leased Property or any part thereof, or (2) giving Lessee any right, power or permission to contract for or permit the performance of any labor or services or the furnishing of any materials or other property in such fashion as would permit the making of any claim against Lessor and any ground lessor(s) in respect thereof or to make any agreement that may create, or in any way be the basis for any right, title, interest, lien, claim or other encumbrance upon the estate of Lessor in the Leased Property, or any portion thereof.

(d) Lessee will, upon the expiration or prior termination of the Term, vacate and surrender the Leased Property to Lessor in the condition in which the Leased Property was originally received from Lessor, except as repaired, rebuilt, restored, altered or added to as permitted or required by the provisions of this Lease and except for ordinary wear and tear (subject to the obligation of Lessee to maintain the Leased Property in good order and repair in accordance with Section 9.1(a) above, as would a prudent owner of comparable

property, during the entire Term) or damage by casualty or Condemnation (subject to the obligation of Lessee to restore or repair as set forth in this Lease.)

ARTICLE X

ALTERATIONS

10.1 Alterations. Subject to first obtaining the written approval of

Lessor (except only as and to the extent, if any, that Manager has such rights to make alterations pursuant to the Management Agreement without first obtaining the Lessee's prior approval), Lessee may, but shall not be obligated to, if and to the extent permitted pursuant to the Management Agreement, make such additions, modifications or improvements to the Leased Property from time to time as Lessee deems desirable for its permitted uses and purposes, provided that such action will not alter the character or purposes of the Leased Property or detract from the value or operating efficiency thereof and will not impair the revenue-producing capability of the Leased Property or adversely affect the ability of the Lessee or Lessor to comply with the provisions of this Lease. All such work shall be performed in a first class manner in accordance with all applicable governmental rules and regulations and after receipt of all required permits and licenses. If required by Lessor all such work shall be covered by performance bonds issued by bonding companies reasonably acceptable to Lessor. The cost of such additions, modifications or improvements to the Leased Property shall be paid by Lessee, and all such additions, modifications and improvements shall, without payment by Lessor at any time, be included under the terms of this Lease and upon expiration or earlier termination of this Lease shall pass to and become the property of Lessor.

10.2 Salvage. All materials which are scrapped or removed in

connection with the making of repairs required by Articles IX or ${\tt X}$ shall be or

become the property of Lessor or Lessee depending on which party is paying for or providing the financing for such work.

10.3 Lessor Alterations. Lessor shall have the right, without

Lessee's consent (unless Manager's consent is required pursuant to the Management Agreement), to make or cause to be made alterations and additions to the Leased Property required in connection with (i) Emergency Situations, (ii) Legal Requirements, (iii) maintenance of the Management Agreement, and (iv) the performance by Lessor of its obligations under this Lease. Without Lessee's consent (unless Manager's consent is required pursuant to the Management Agreement), Lessor shall further have the right, but not the obligation, to make such other additions to the Leased Property as it may reasonably deem appropriate during the Term of this Lease. All such work unless necessitated by Lessee's acts or omissions or unless otherwise required to be performed by Lessee under this Lease (in which event work shall be paid for by Lessee) shall be performed at Lessor's expense, in compliance with all Legal Requirements, in a good and workmanlike manner and shall be done after reasonable notice to and coordination with Lessee, so as to minimize any disruptions or interference with the operation of the Facility.

ARTICLE XI

LIENS

11.1 Liens. Subject to the provision of Article XII relating to

permitted contests, Lessee will not directly or indirectly create or allow to remain and will promptly discharge at its expense any lien, encumbrance, attachment, title retention agreement or claim upon the Leased Property resulting from the action or inaction of Lessee, or any attachment, levy, claim or encumbrance in respect of the Rent, excluding, however, (a) this Lease, (b) the matters, if any, included as exceptions or insured against in the title policy insuring Lessor's interest in the Leased Property, (c) restrictions, liens and other encumbrances which are consented to in writing by Lessor, (d) liens for those taxes which Lessee is not required to pay hereunder, (e) subleases permitted by Article XXI hereof, (f) liens for Impositions or for sums

resulting from noncompliance with Legal Requirements to the extent Lessee is responsible hereunder for such compliance so long as (1) the same are not yet delinquent or (2) such liens are in the process of being contested as permitted by Article XII, (g) liens of mechanics, laborers, suppliers or vendors for sums

either disputed or not yet due provided that any such liens for disputed sums are in the process of being contested as permitted by $\mbox{Article XII}$ hereof, and

(h) any liens which are the responsibility of Lessor pursuant to the provisions of this Lease.

ARTICLE XII

PERMITTED CONTESTS

12.1 Permitted Contests. Lessee shall have the right to contest the

amount or validity of any Imposition to be paid by Lessee or any Legal Requirement to be satisfied by Lessee hereunder or any lien, attachment, levy, encumbrance, charge or claim (any such Imposition, Legal Requirement, lien, attachment, levy, encumbrance, charge or claim herein referred to as "Claims")

not otherwise permitted by Article XI, by appropriate legal proceedings in good

faith and with due diligence (but this shall not be deemed or construed in any way to relieve, modify

or extend Lessee's covenants to pay or its covenants to cause to be paid any such charges at the time and in the manner as in this Article provided), on condition, however, that such legal proceedings shall not operate to relieve Lessee from its obligations hereunder and shall not cause the sale or risk the loss of any portion of the Leased Property, or any part thereof, or cause Lessor or Lessee to be in default under any mortgage, deed of trust, security deed or other agreement encumbering the Leased Property or any interest therein. Upon the request of Lessor, as security for the payment of such Claims, Lessee shall either (a) provide a bond or other assurance reasonably satisfactory to Lessor (and satisfactory to any Holder, if approval thereof is required by such Holder's Mortgage) that all Claims which may be assessed against the Leased Property together with interest and penalties, if any, thereon and legal fees anticipated to be incurred in connection therewith will be paid, or (b) deposit within the time otherwise required for payment with a bank or trust company designated by Lessor as trustee upon terms reasonably satisfactory to Lessor, or with any Holder upon terms satisfactory to such Holder, money in an amount sufficient to pay the same, together with interest and penalties thereon and legal fees anticipated to be incurred in connection therewith, as to all Claims which may be assessed against or become a Claim on the Leased Property, or any part thereof, in said legal proceedings. Lessee shall furnish Lessor and any Holder with reasonable evidence of such deposit within five days of the same. Lessor agrees to join in any such proceedings if the same be required to legally prosecute such contest of the validity of such Claims; provided, however, that Lessor shall not thereby be subjected to any liability for the payment of any costs or expenses in connection with any proceedings brought by Lessee; and Lessee covenants to indemnify and save harmless Lessor from any such costs or expenses. Lessee shall be entitled to any refund of any Claims and such charges and penalties or interest thereon which have been paid by Lessee or paid by Lessor and for which Lessor has been fully reimbursed. In the event that Lessee fails to pay any Claims when due or to provide the security therefor as provided in this paragraph and to diligently prosecute any contest of the same, Lessor may, upon ten days advance Notice to Lessee, pay such charges together with any interest and penalties and the same shall be repayable by Lessee to Lessor as Additional Charges at the next Payment Date provided for in this Lease. Provided, however, that should Lessor reasonably determine that the giving of such Notice would risk loss to the Leased Property or cause damage to Lessor, then Lessor shall only give such Notice as is practical under the circumstances. Lessor reserves the right to contest any of the Claims at its expense not pursued by Lessee. Lessor and Lessee agree to cooperate in coordinating the contest of any Claims.

ARTICLE XIII

.

INSURANCE

13.1 General Insurance Requirements.

(a) Coverages. During the Term of this Lease, the Leased Property

shall at all times be insured with the kinds and amounts of insurance described below. This insurance shall be written by companies authorized to issue insurance in the State. The policies must name the party obtaining the policy as the insured and the other party as an additional named insured, and

the Manager shall also be named as an additional insured under the coverages described in Sections 13.1(a)(iv) through (xi). Losses shall be payable to

Lessor or Lessee as provided in this Lease. Any loss adjustment for coverages insuring both parties shall require the written consent of Lessor and Lessee, each acting reasonably and in good faith. Evidence of insurance shall be deposited with Lessor. The policies on the Leased Property, including the Leased Improvements, Fixtures and Lessee's Personal Property, shall at all times satisfy the requirements of the Management Agreement and of any ground lease, mortgage, security agreement or other financing lien affecting the Leased Property and at a minimum shall include:

> Building insurance on the "Special Form" (formerly "All Risk" form) (including earthquake and flood in reasonable amounts if and as determined by Lessor) in an amount not less than 100% of the then full replacement cost thereof (as defined in Section 13.2)

or such other amount which is acceptable to Lessor, and personal property insurance on the "Special Form" in the full amount of the replacement cost thereof;

Insurance for loss or damage (direct and indirect) from steam boilers, pressure vessels or similar apparatus, air conditioning systems, piping and machinery, and sprinklers, if any, now or hereafter installed in the Facility, in the minimum amount of \$5,000,000 or in such greater amounts as are then customary or as may be reasonably requested by Lessor from time to time;

Loss of income insurance on the "Special Form", in the amount of one year of the greater of (a) Base Rent, or (b) Percentage Rent (based on the last Lease Year of operation or, to the extent the Leased Property has not been operated for an entire 12-month Lease Year, based on prorated Percentage Rent) for the benefit of Lessor, and business interruption insurance on the "Special Form" in the amount of one year of gross profit, for the benefit of Lesse;

Commercial general liability insurance, with contractual indemnity endorsement, with amounts not less than \$1,000,000 combined single limit for each occurrence and \$2,000,000 for the aggregate of all occurrences within each policy year, as well as excess liability (umbrella) insurance with limits of at least \$50,000,000 per occurrence, covering each of the following: bodily injury, death, or property damage liability per occurrence, personal injury, general aggregate, products and completed operations with respect to Lessee, and "all risk legal liability" (including liquor law or "dram shop" liability, if liquor or alcoholic beverages are served on the Leased Property) with respect to Lessor and Lessee;

Fidelity bonds or blanket crime policies with limits and deductibles as may be reasonably determined by Lessor, covering Lessee's employees in job classifications normally bonded under prudent hotel management practices in the United States or otherwise required by law;

Workers' compensation insurance to the extent necessary to protect Lessor, Lessee and the Leased Property against Lessee's workman's compensation claims to the extent required by applicable state laws;

Comprehensive form vehicle liability insurance for owned, non-owned, and hired vehicles, in the amount of \$1,000,000;

Garagekeeper's legal liability insurance covering both comprehensive and collision-type losses with a limit of liability of \$3,000,000 for any one occurrence, of which coverage in excess of \$1,000,000 may be provided by way of an excess liability policy;

Innkeeper's legal liability insurance covering property of guests while on the Leased Property for which Lessor is legally responsible with a limit of not less than \$5,000 in any one occurrence or \$25,000 annual aggregate;

Safe deposit box legal liability insurance covering property of guests while in a safe deposit box on the Leased Property for which Lessor is legally responsible with a limit of not less than \$100,000 in any one occurrence; and

Insurance covering such other hazards (such as plate glass or other common risks) and in such amounts as may be (A) required by a Holder, or (B) customary for comparable properties in the area of the Leased Property and is available from insurance companies, insurance pools or other appropriate companies authorized to do business in the State at rates which are economically practicable in relation to the risks covered as may be reasonably determined by Lessor.

(b) Responsibility for Insurance. Lessee shall obtain the

insurance and pay the premiums for the coverages described in Sections 13.1(a)(iv) through (x), and Lessor shall obtain the insurance and pay

the premiums for the coverages described in Sections 13.1(a)(i) through (iii),

provided that Lessee shall reimburse Lessor immediately after demand therefor for any premiums paid by Lessor for the coverages required under Section 13.1(a)(i) to the extent that the premiums relate to coverages for

property owned by Lessee or coverages which benefit Lessee. Insurance required by Section 13.1(a)(xi) shall be obtained and paid for by Lessor to the extent

that it relates to risks of the type covered by the insurance obtained pursuant to Sections 13.1(a)(i) through (iii), and obtained and paid for by Lessee if it

relates to risks of the type covered by the insurance obtained pursuant to Sections 13.1(a)(iv) through (x). The party responsible for the premium for any

insurance coverage shall also be responsible for any and all deductibles and self-insured retentions in connection with such coverages. In the event that either party can obtain comparable insurance coverage required to be carried by the other party from comparable insurers and at a cost significantly less than that at which such other party can obtain such coverage, the parties shall cooperate in good faith to obtain such coverage at the lower cost and shall allocate the premiums therefor in accordance with the provisions of the first sentence of this

Section 13.1(b). In addition to the rights set forth in Sections 17.1 and 39.1,

if any party responsible for obtaining and maintaining the insurance required under this Lease fails to do so or fails to obtain renewals or substitutions therefor at least fifteen (15) days before such insurance will lapse, the other party may obtain such insurance and the defaulting party shall reimburse the party obtaining such insurance for the cost thereof promptly upon demand, together with interest thereon at the Overdue Rate until such cost is repaid by the defaulting party.

(c) Notwithstanding anything to the contrary contained herein, Lessee shall be deemed to be in compliance with the requirements of this Section 13.1 if and to the extent Manager maintains the insurance required

pursuant to Article XII of the Management Agreement.

13.2 Replacement Cost. The term "full replacement cost" as used

herein shall mean the actual replacement cost of the Leased Property requiring replacement from time to time including an increased cost of construction endorsement, if available, and the cost of debris removal. In the event either party believes that full replacement cost has increased or decreased at any time during the Term, it shall have the right to have such full replacement cost redetermined.

13.3 (Intentionally deleted)

13.4 Waiver of Subrogation. Lessor and Lessee each waive any and all

rights of recovery against the other (and against the partners, officers, employees and agents of the other party) for loss of or damage to such waiving party or its property or the property of others under its control, to the extent such loss or damage is covered by, or in the event the responsible party fails to maintain the required insurance hereunder, would have been covered by, the insurance required to be obtained by such waiving party under Sections 13.1(a)

through (iii); provided, however, that this waiver does not apply to any rights

that either party may have to insurance proceeds from their respective insurance policies at the time of such loss or damage. In obtaining policies of property insurance on their respective interests in the personal property and improvements located in the Leased Property, Lessor and Lessee shall give notice to their respective insurance carriers that the foregoing mutual waiver of subrogation is contained in this Lease; and Lessor and Lessee shall each obtain from their insurance carriers a consent to such waiver.

13.5 Form Satisfactory, etc. All of the policies of insurance referred

to in this Article XIII shall be written in a form, with deductibles and by

insurance companies satisfactory to Lessor and shall satisfy the requirements of any ground lease, mortgage, security agreement or other financing lien, if any, on the Leased Property and of the Management Agreement. The party responsible for obtaining any policy shall pay all of the premiums therefor, and deliver copies of such policies or certificates thereof to the other party prior to their effective date (and, with respect to any renewal policy, thirty (30) days prior to the expiration of the existing policy), and in the event of the failure of the responsible party either to effect such insurance as herein called for or to pay the premiums therefor, or to deliver such policies or certificates thereof to the other party at the times required, such other party shall be entitled, but shall have no obligation, after ten (10)

days' Notice to the responsible party (or after less than ten (10) days' Notice if required to prevent the expiration of any existing policy), to effect such insurance and pay the premiums therefor, and to be reimbursed for any such premiums upon written demand therefor. Each insurer mentioned in this Article

XIII shall agree, by endorsement to the policy or policies issued by it, or by \cdot

independent instrument furnished to the party not responsible hereunder for obtaining such policy, that it will give to such party thirty (30) days' written notice before the policy or policies in question shall be materially altered, allowed to expire or canceled.

13.6 Increase in Limits. If either Lessor or Lessee at any time deems

the limits of the personal injury or property damage under the comprehensive public liability insurance then carried to be either excessive or insufficient, Lessor and Lessee shall endeavor in good faith to agree on the proper and reasonable limits for such insurance to be carried and such insurance shall thereafter be carried with the limits thus agreed on until further change pursuant to the provisions of this Section. If the parties fail to agree on such limits, the matter shall be referred to arbitration as provided for in Section 40.1. However, in no event shall such limits fail to satisfy the

requirements of the Management Agreement and of any ground lease, Mortgage, security agreement or other financing lien, if any, affecting the Leased Property.

13.7 Blanket Policy. Notwithstanding anything to the contrary

contained in this Article XIII, Lessee or Lessor may bring the insurance

provided for herein within the coverage of a so-called blanket policy or policies of insurance carried and maintained by Lessee or Lessor; provided, however, that the coverage afforded to Lessor and Lessee will not be reduced or diminished or otherwise be different from that which would exist under a separate policy meeting all other requirements of this Lease by reason of the use of such blanket policy of insurance, and provided further that the requirements of this Article XIII are otherwise satisfied.

13.8 Separate Insurance. Neither Lessor nor Lessee shall on its own

initiative or pursuant to the request or requirement of any third party, take out separate insurance concurrent in form or contributing in the event of loss with that required in this Article to be furnished, or increase the amount of any then existing insurance by securing an additional policy or additional policies, unless all parties having an insurable interest in the subject matter of the insurance, including in all cases Lessor, are included therein as additional insureds, and the loss is payable under such additional separate insurance in the same manner as losses are payable under this Lease. Each party shall immediately notify the other party that it has obtained any such separate insurance or of the increasing of any of the amounts of the then existing insurance.

13.9 Reports On Insurance Claims. Lessee shall promptly investigate and

make a complete and timely written report to the appropriate insurance company as to all accidents, all claims for damage relating to the ownership, operation, and maintenance of the Facility, and any damage or destruction to the Facility and the estimated cost of repair thereof and shall prepare any and all reports required by any insurance company in connection therewith. All such reports shall be timely filed with the insurance company as required under the terms of the insurance policy involved, and a copy of all such reports shall be furnished to Lessor.

DAMAGE AND RECONSTRUCTION

14.1 Insurance Proceeds. Except as and to the extent set forth in the

Management Agreement, all proceeds of the insurance contemplated by Sections 13.1(a)(i) and (ii) payable by reason of any loss or damage to the Leased Property, or any portion thereof, and insured under any policy of

insurance required by Article XIII of this Lease shall be paid to Lessor and

made available, if applicable, for reconstruction or repair, as the case may be, of any damage to or destruction of the Leased Property or any portion thereof, and, if applicable, shall be paid out by Lessor from time to time for the reasonable costs of such reconstruction or repair upon satisfaction of reasonable terms and conditions specified by Lessor. Any excess proceeds of insurance remaining after the completion of the restoration or reconstruction of the Leased Property shall be paid to Lessor. If neither Lessor nor Lessee is required or elects to repair and restore, and the Lease is terminated as described in Section 14.2, all such insurance proceeds shall be retained by

Lessor except for any amount thereof paid with respect to Lessee's Personal Property. All salvage resulting from any risk covered by insurance shall belong to Lessor, except to the extent of salvage relating to Lessee's Personal Property.

14.2 Reconstruction in the Event of Damage or Destruction Covered by

Insurance.

(a) If during the Term the Leased Property is totally or partially destroyed by a risk covered by the insurance described in Article XIII

and the Facility thereby is rendered Unsuitable or Uneconomic for its Primary Intended Use, this Lease shall (if and to the extent the Management Agreement may be terminated pursuant to Article 15 thereof) terminate as of the date of

the casualty and neither Lessor nor Lessee shall have any further liability hereunder except for any liabilities which have arisen prior to or which survive such termination, and Lessor shall be entitled to retain all insurance proceeds except for any amount thereof paid with respect to Lessee's Personal Property.

(b) If during the Term the Leased Property is partially destroyed by a risk covered by the insurance described in Article XIII, but the

Facility is not thereby rendered Unsuitable or Uneconomic for its Primary Intended Use, Lessor or, at the election of Lessor (unless required pursuant to Article 15 of the Management Agreement), Lessee shall restore the Facility to

substantially the same condition as existed immediately before the damage or destruction and otherwise in accordance with the terms of this Lease, and this Lease shall not terminate as a result of such damage or destruction. If Lessee restores the Facility, the insurance proceeds shall be paid out by Lessor from time to time for the reasonable costs of such restoration upon satisfaction of terms and conditions specified by Lessor, and any excess proceeds remaining after such restoration shall be paid to Lessor except for any amount thereof paid with respect to Lessee's Personal Property.

(c) If the Facility is to be restored in accordance with the provisions of Section 14.2(b) or otherwise and if the cost of the repair or

restoration exceeds the amount of

proceeds received by Lessor from the insurance required under Article XIII,

Lessor shall agree to contribute any excess amounts needed to restore the Facility prior to requiring Lessee to commence such work. Such difference shall be made available by Lessor, together with any other insurance proceeds, for application to the cost of repair and restoration in accordance with the provisions of Section 14.2(b).

14.3 Reconstruction in the Event of Damage or Destruction Not Covered by Insurance. If during the Term the Facility is totally or materially damaged or

destroyed by a risk not covered by the insurance described in Article XIII, or

if the Holder will not make the proceeds of such insurance available to Lessor for restoration of the Facility, unless in either event such damage or destruction renders the Facility Unsuitable or Uneconomic for its Primary Intended Use, Lessor at its option shall either, (a) at Lessor's sole cost and expense, restore the Facility to substantially the same condition it was in immediately before such damage or destruction and this Lease shall not terminate as a result of such damage or destruction, or (b) terminate the Lease (if and to the extent the Management Agreement may be terminated pursuant to Article 15

thereof) and neither Lessor nor Lessee shall have any further liability thereunder except for any liabilities which have arisen or occurred prior to such termination and those which expressly survive termination of this Lease. If such damage or destruction is determined by Lessor not to be material, Lessor may, at Lessor's sole cost and expense, restore the Facility to substantially the same condition as existed immediately before the damage or destruction and otherwise in accordance with the terms of the Lease, and this Lease shall not terminate as a result of such damage or destruction.

14.4 Lessee's Property and Business Interruption Insurance. All

insurance proceeds payable by reason of any loss of or damage to any of Lessee's Personal Property and the business interruption insurance maintained for the benefit of Lessee shall be paid to Lessee; provided, however, no such payments shall diminish or reduce the insurance payments otherwise payable to or for the benefit of Lessor hereunder.

14.5 Abatement of Rent. Any damage or destruction due to casualty

notwithstanding, this Lease shall remain in full force and effect and Lessee's obligation to pay Rent required by this Lease shall remain unabated by any damage or destruction which does not result in a reduction of Gross Revenues. If and to the extent that any damage or destruction results in a reduction of Gross Revenues which would otherwise be realizable from the operation of the Facility, then Lessor shall receive all loss of income insurance and Lessee shall have no obligation to pay Rent in excess of the amount of Percentage Rent, if any, realizable from Gross Revenues generated by the operation of the Leased Property during the existence of such damage or destruction; provided, however, that if such damage or destruction was caused by Lessee's gross negligence or willful misconduct, Lessee shall remain liable for the amount of Rent which would have been payable hereunder at a rate equal to the average Rent during the last three preceding 12-month Lease Years (or if three 12-month Lease Years or if one Lease Year has not elapsed, the amount derived by annualizing the Percentage Rent from the Commencement Date of this Lease) as if such damage or destruction had not occurred.

ARTICLE XV

CONDEMNATION

15.1 Definitions.

(a) "Condemnation" means a Taking resulting from (1) the exercise

of any governmental power, whether by legal proceedings or otherwise, by a Condemnor, and (2) a voluntary sale or transfer by Lessor to any Condemnor, either under threat of condemnation or while legal proceedings for condemnation are pending.

(b) "Date of Taking" means the date the Condemnor has the right to possession of the property being condemned.

(c) "Award" means all compensation, sums or anything of value

awarded, paid or received on a total or partial Condemnation.

(d) "Condemnor" means any public or quasi-public authority, or -------private corporation or individual, having the power of Condemnation.

15.2 Parties' Rights and Obligations. If during the Term there is any

Condemnation of all or any part of the Leased Property or any interest in this Lease, the rights and obligations of Lessor and Lessee shall be determined by this Article XV.

15.3 Total Taking. If title to the fee of the whole of the Leased

Property is condemned by any Condemnor, this Lease shall cease and terminate as of the Date of Taking by the Condemnor. If title to the fee of less than the whole of the Leased Property is so taken or condemned, which nevertheless renders the Leased Property Unsuitable or Uneconomic for its Primary Intended Use, then either Lessee or Lessor shall have the option, by notice to the other, at any time prior to the Date of Taking, to terminate this Lease as of the Date of Taking. Upon such date, if such Notice has been given, this Lease shall thereupon cease and terminate. All Base Rent, Percentage Rent and Additional Charges paid or payable by Lessee hereunder shall be apportioned as of the Date of Taking, and Lessee shall promptly pay Lessor such amounts.

15.4 Allocation of Award. The total Award made with respect to the

Leased Property or for loss of rent, or for Lessor's loss of business beyond the Term, shall be solely the property of and payable to Lessor. Any Award made for loss of Lessee's business during the remaining Term, if any, for the taking of Lessee's Personal Property, or for removal and relocation expenses of Lessee in any such proceedings shall be the sole property of and payable to Lessee. In any Condemnation proceedings Lessor and Lessee shall each seek its Award in conformity herewith, at its respective expense; provided, however, neither Lessor nor Lessee shall initiate, prosecute or acquiesce in any proceedings that may result in a diminution of any Award payable to the other.

(a) If title to less than the whole of the Leased Property is condemned, and the Leased Property is not Unsuitable or Uneconomic for its Primary Intended Use, or if Lessor and Lessee are entitled but elect not to terminate this Lease as provided in Section 15.3, then Lessor or, at Lessor's

election, Lessee shall, with all reasonable dispatch and to the extent that the Holder permits the application of the Award therefor and the Award to be contributed to restoration as provided in this Section 15.5(a) is sufficient

therefor, restore the untaken portion of any Leased Improvements so that such Leased Improvements constitute a complete architectural unit of the same general character and condition (as nearly as may be possible under the circumstances) as the Leased Improvements existing immediately prior to the Condemnation. Lessor and Lessee shall each contribute to the cost of restoration that part of its Award specifically allocated to such restoration, if any, together with severance and other damages awarded for the taken Leased Improvements; provided, however, that the amount of such contribution shall not exceed such cost.

(b) In the event of a partial Taking as described in Section 15.5(a) which does not result in a termination of this Lease by Lessor, the Base Rent shall be abated in the manner and to the extent that is fair, just

and equitable to both Lessee and Lessor, taking into consideration, among other relevant factors, the number of usable rooms, the amount of square footage, or the revenues affected by such partial Taking. If Lessor and Lessee are unable to agree upon the amount of such abatement within thirty (30) days after such partial Taking, the matter shall be submitted to Arbitration as provided for in Section 40.2 hereof.

15.6 Temporary Taking. If the whole or any part of the Leased Property

or of Lessee's interest under this Lease is condemned by any Condemnor for its temporary use or occupancy, this Lease shall not terminate by reason thereof, and Lessee shall continue to pay, in the manner and at the times herein specified, the full amounts of Base Rent, Percentage Rent and Additional Charges realizable from Gross Revenues generated by the Leased Property during such period, together with additional amounts of Rent, if any, to the extent of the remaining balance, if any, of the Award made to Lessee for such Condemnation allocable to the Term (after payment of Base Rent and Additional Charges), Lessee shall pay Percentage Rent at a rate equal to the average Percentage Rent during the last three preceding 12-month Lease Years (or if three 12-month Lease Years). Except only to the extent that Lessee may be prevented from so doing pursuant to the terms of the order of the Condemnor, Lessee shall continue to perform and observe all of the other terms, covenants, conditions and obligations hereof on the part of the Lessee to be performed and observed, as in this Section 15.6 described, the entire amount of any Award made for such

Condemnation allocable to the Term of this Lease, whether paid by way of damages, rent or otherwise, shall be paid (a) directly to Lessee if the Award is payable by the Condemnor on a monthly basis, or (b) if payable by the Condemnor less frequently than on a monthly basis, the Award shall be paid to an institutional trustee designated by Lessor or to the Holder of a Mortgage, if any, and made available to Lessee on terms reasonably satisfactory to Lessor or such Holder for application

pursuant to the provisions of this Section 15.6. Lessee covenants that upon the

termination of any such period of temporary use or occupancy it will, to the extent that its Award is sufficient therefor and subject to Lessor's contribution as set forth below, restore the Leased Property as nearly as may be reasonably possible to the condition in which the same was immediately prior to such Condemnation, unless such period of temporary use or occupancy extends beyond the expiration of the Term, in which case Lessee shall not be required to make such restoration. If restoration is required hereunder, Lessor shall contribute to the cost of such restoration that portion of its entire Award that is specifically allocated to such restoration in the judgment or order of the court, if any.

ARTICLE XVI

DEFAULTS

16.1 Events of Default. Any one or more of the following events shall

constitute an Event of Default (herein so called) hereunder:

(a) if Lessee fails to make any payment of Base Rent or Percentage Rent within ten (10) days after receipt by the Lessee of Notice from Lessor that the same has become due and payable, provided that Lessor shall not be required to give any such Notice more than once in any Lease Year and that any second or subsequent failure by Lessee during such Lease Year to make any payment of Base Rent or Percentage Rent on the date the same becomes due and payable shall constitute an immediate Event of Default; or

(b) if Lessee fails to make any payment of Additional Charges within ten (10) days after receipt by Lessee of Notice from Lessor that the same has become due and payable; or

(c) if Lessee fails to observe or perform any other term, covenant or condition of this Lease and such failure is not curable, or if curable is not cured by Lessee within a period of thirty (30) days after receipt by the Lessee of Notice thereof from Lessor, unless such failure is curable but cannot with due diligence be cured within a period of thirty (30) days, in which case it shall not be deemed an Event of Default if (i) Lessee, within such thirty (30) day period, proceeds with due diligence to cure the failure and thereafter diligently completes the curing thereof within 120 days of Lessor's Notice to Lessee, which 120-day period shall cease to run during any period that a cure of such failure is prevented by an Unavoidable Delay and shall resume running upon the cessation of such Unavoidable Delay, and (ii) the failure does not result in a notice or declaration of default under any material contract or agreement to which Lessor, the Company, or any Affiliate of either of them is a party or by which any of their assets are bound; or

(d) if Lessee shall (i) be generally not paying its debts as they become due, (ii) file, or consent by answer or otherwise to the filing against it of, a petition for relief or reorganization or arrangement or any other petition in bankruptcy, for liquidation or to take advantage of any bankruptcy or insolvency law of any jurisdiction, (iii) make an assignment for

the benefit of its creditors, (iv) consent to the appointment of a custodian, receiver, trustee or other officer with similar powers with respect to it or with respect to any substantial part of its assets, (v) be adjudicated insolvent, or (vi) take corporate action for the purpose of any of the foregoing; or if a court or governmental authority of competent jurisdiction shall enter an order appointing, without consent by Lessee, a custodian, receiver, trustee or other officer with similar powers with respect to it or with respect to any substantial part of its assets, or if an order for relief shall be entered in any case or proceeding for liquidation or reorganization or otherwise to take advantage of any bankruptcy or insolvency law of any jurisdiction, or ordering the dissolution, winding-up or liquidation of Lessee, or if any petition for any such relief shall be filed against Lessee and such petition shall not be dismissed within sixty (60) days; or

(e) if Lessee is liquidated or dissolved, or begins proceedings toward such liquidation or dissolution, or, in any manner, ceases to do business or permits the sale or divestiture of substantially all of its assets; or

(f) if the estate or interest of Lessee in the Leased Property or any part thereof is voluntarily or involuntarily transferred, assigned, conveyed, levied upon or attached in any Proceeding; or

(g) if, except as a result of and to the extent required by damage, destruction, Condemnation or Unavoidable Delay, Lessee ceases operations on the Leased Property; or

(h) if notice of a default or an event of default has been given by the Manager under the Management Agreement with respect to the Facility on the Leased Property as a result of any action or failure to act by the Lessee or any Person with whom the Lessee contracts at the Facility, which default or event of default is not cured within applicable cure periods and does not arise solely from Lessor's breach of any of its obligations under this Lease which are required to maintain the Management Agreement in effect;

 (i) if Manager shall default beyond any applicable notice and cure period (without extension or waiver by Lessee) under the Management Agreement;

 $({\rm j})$ $% ({\rm j})$ if an Event of Default occurs under any or all of the Other Leases; or

(k) if Lessee breaches any of the provisions of Article XXXV.

Notwithstanding anything to the contrary contained in Section 16.1(c), the cure periods set forth in Section 16.1(c) shall not apply

to (i) any intentional failure by Lessee to observe or perform any term, covenant or condition of this Lease, or (ii) any failure by Lessee to perform any term, covenant or condition for which a different grace or cure period is expressly set forth in any other provision of this Lease, and in either of the foregoing events such failure shall, after the expiration of any other grace or cure period expressly set forth elsewhere herein, constitute an immediate Event of Default.

If litigation is commenced with respect to any alleged default under this Lease, the prevailing party in such litigation shall receive, in addition to its damages incurred, such sum as the court shall determine as its reasonable attorneys' fees, and all costs and expenses incurred in connection therewith.

16.2 Remedies. Upon the occurrence of an Event of Default, Lessor shall

have the right, at Lessor's option, to elect to do any one or more of the following without further notice or demand to Lessee: (a) terminate this Lease, in which event Lessee shall immediately surrender the Leased Property to Lessor, and, if Lessee fails to so surrender, Lessor shall have the right, without notice, to enter upon and take possession of the Leased Property and to expel or remove Lessee and its effects without being liable for prosecution or any claim for damages therefor; and Lessee shall, and hereby agrees to, indemnify Lessor for all loss and damage which Lessor suffers by reason of such termination, including without limitation, damages in an amount equal to the total of (1) the reasonable costs of recovering the Leased Property in the event that Lessee does not promptly surrender the Leased Property, and all other reasonable expenses incurred by Lessor in connection with Lessee's default; (2) the unpaid Rent earned as of the date of termination, plus interest at the Overdue Rate accruing after the due date until such sums are paid by Lessee to Lessor; (3) the total Rent (including Percentage Rent as determined below) which Lessor would have received under this Lease for the remainder of the Term, but discounted to the then present value at a rate of fifteen percent (15%) per annum, less the fair market rental value of the balance of the Term as of the time of such default discounted to the then present value at a rate of fifteen percent (15%) per annum; and (4) all other sums of money and damages owing by Lessee to Lessor; or (b) enter upon and take possession of the Leased Property without terminating this Lease and without being liable for prosecution or any claim for damages therefor, and, if Lessor elects, relet the Leased Property on such terms as Lessor deems advisable, in which event Lessee shall pay to Lessor on demand the reasonable costs of repossessing and reletting the Leased Property and any deficiency between the Rent payable hereunder (including Percentage Rent as determined below) and the rent paid under such reletting; provided, however, that Lessee shall not be entitled to any excess payments received by Lessor from such reletting and Lessor's failure to relet the Leased Property shall not release or affect Lessee's liability for Rent or for damages; or (c) enter the Leased Property without terminating this Lease and without being liable for prosecution or any claim for damages therefor and maintain the Leased Property and repair or replace any damage thereto or do anything for which Lessee is responsible hereunder. Lessee shall reimburse Lessor immediately upon demand for any expense which Lessor incurs in thus effecting Lessee's compliance under this Lease, and Lessor shall not be liable to Lessee for any damages with respect thereto. Notwithstanding anything herein to the contrary, Lessee shall not be liable to Lessor for consequential, punitive or exemplary damages.

The rights granted to Lessor in this Section 16.2 shall be cumulative of

every other right or remedy provided in this Lease or which Lessor may otherwise have at law or in equity or by statute, and the exercise of one or more rights or remedies shall not prejudice or impair the concurrent or subsequent exercise of other rights or remedies or constitute a forfeiture or waiver of Rent or damages accruing to Lessor by reason of any Event of Default under this Lease.

equal to (i) the average of the annual amounts of the Percentage Rent for the three 12-month Lease Years immediately preceding the Lease Year in which the termination, re-entry or repossession takes place, or (ii) if three 12-month Lease Years shall not have elapsed, the average of the Percentage Rent during the preceding 12-month Lease Years during which the Lease was in effect, or (ii) if one Lease Year has not elapsed, the amount derived by annualizing the Percentage Rent from the effective date of this Lease.

16.3 Waiver. Each party waives, to the extent permitted by applicable

law, any right to a trial by jury in any proceedings brought by either party to enforce the provisions of this Lease, including, without limitation, proceedings to enforce the remedies set forth in this Article XVI, and Lessee waives the

benefit of any laws now or hereafter in force exempting property from liability for rent or for debt.

16.4 Application of Funds. Any payments received by Lessor under any of

the provisions of this Lease during the existence or continuance of any Event of Default shall be applied to Lessee's obligations in the order that Lessor may determine or as may be prescribed by the laws of the State.

ARTICLE XVII

LESSOR'S RIGHT TO CURE

17.1 Lessor's Right to Cure Lessee's Default. If Lessee fails to make

any payment or to perform any act required to be made or performed under this Lease including, without limitation, Lessee's failure to comply with the terms of any Management Agreement and fails to cure the same within the relevant time periods, if any, provided in Section 16.1 or elsewhere in this Lease,

Lessor, without waiving or releasing any obligation of Lessee, and without waiving or releasing any obligation or default, may (but shall be under no obligation to) at any time thereafter upon Notice to Lessee make such payment or perform such act for the account and at the expense of Lessee, and may, to the extent permitted by law, enter upon the Leased Property for such purpose and, subject to Section 16.2, take all such action thereon as, in Lessor's opinion,

may be necessary or appropriate therefor. No such entry shall be deemed an eviction of Lessee. All sums so paid by Lessor and all costs and expenses (including, without limitation, reasonable attorneys' fees and expenses, in each case to the extent permitted by law) so incurred, together with a late charge thereon (to the extent permitted by law) at the Overdue Rate from the date on which such sums or expenses are paid or incurred by Lessor until such sums or expenses are paid by Lessee to Lessor, shall constitute Additional Charges and shall be paid by Lessee to Lessor on demand. The obligations of Lessee and rights of Lessor contained in this Article shall survive the expiration or earlier termination of this Lease.

ARTICLE XVIII

LIMITATIONS

.

18.1 Personal Property Limitation. Anything contained in this Lease

to the contrary notwithstanding, (i) the average of the adjusted tax bases of the items of Lessor's personal property that are leased to the Lessee under this Lease at the beginning and at the end of any Lease Year shall not exceed 15% of the average of the aggregate adjusted tax bases of the Leased Property at the beginning and at the end of such Lease Year and (ii) the rent attributable to personal property leased hereunder with respect to any calendar shall not exceed 10% of the total rent under this Lease for such year (the limitations in the preceding clauses (i) and (ii) are referred to collectively as the "Personal

Property Limitation"). Lessor and Lessee shall at all times cooperate in good

faith and use their best efforts to permit Lessor to comply with the Personal Property Limitation, which compliance may include, by way of example only and not by way of limitation or obligation, the purchase by Lessee at fair market value of personal property in excess of the Personal Property Limitation. All such compliance shall be effected in a manner which has no material net economic detriment to Lessee and will not jeopardize the Company's status as a real estate investment trust under the applicable provisions of the Code. This Section 18.1 is intended to ensure that the Rent qualifies as (i) "rents from

real property," within the meaning of Section 856(d) of the Code, or any similar or successor provisions thereto, and (ii) excluded "rents" described in Section 512(b)(3)(A) of the Code or any similar or successor provision thereto, and shall be interpreted in a manner consistent with such intent.

18.2 Sublease Rent Limitation. Anything contained in this Lease to

the contrary notwithstanding, Lessee shall not sublet the Leased Property or enter into any licenses or concessions or enter into any similar arrangement on any basis such that the rental or other amounts to be paid by the sublessee thereunder would be based, in whole or in part, on either (a) the net income or profits derived by the business activities of the sublessee, licensee, or concessionaire, or (b) any other formula such that any portion of the Rent would fail to qualify as "rents from real property" within the meaning of Section 856(d) of the Code, or any similar or successor provision thereto.

${\tt 18.3}$ Sublease Lessee Limitation. Anything contained in this Lease to

the contrary notwithstanding, Lessee shall not sublease the Leased Property to, or enter into any license, concession or similar arrangement with, any Person in which the Company owns, directly or indirectly, a 10% or more interest, within the meaning of Section 856(d)(2)(B) of the Code, or any Person in which Boston Properties Limited Partnership owns, directly or indirectly, a ten percent (10%) or more interest within the meaning of the same section as modified by Section 7704(d)(3)(B) of the Code or any similar or successor provisions thereto.

18.4 Lessee Ownership Limitation. Anything contained in this Lease

to the contrary notwithstanding, Lessor shall not take, or permit an Affiliate of Lessor to take, any action that would cause the Company to own, directly or indirectly, a 10% or more interest in the Lessee within the meaning of Section 856(d)(2)(B) of the Code, or that would cause Boston Properties

Limited Partnership to own, directly or indirectly, a ten percent (10%) or more interest in the Lessee within the meaning of the same Section as modified by Section 7704(d)(3)(B) of the Code, or any similar or successor provisions thereto. Anything contained in this Lease to the contrary notwithstanding, Lessee shall not take, or permit an Affiliate of Lessee to take, any action that would cause the Company to own, directly or indirectly, a 10% or more interest in the Lessee within the meaning of Section 856(d)(2)(B) of the Code, or that would cause Boston Properties Limited Partnership to own, directly or indirectly or indirectly, a ten percent (10%) or more interest in the Lessee within the meaning of the same Section as modified by Section 7704(d)(3)(B) of the Code, or any similar or successor provisions thereto. Any transfer of interests in the Lessee for purposes of this Section 18.4.

18.5 Schedule of Owners. Upon the Commencement Date, Lessee shall

provide to Lessor a schedule of all owners of interests in Lessee who own of record or beneficially ten percent (10%) or more of the outstanding ownership interests in Lessee. During the Term, Lessee shall promptly provide Lessor with Notice of any changes in the foregoing schedule. Lessee shall from time to time provide such information as Lessor may reasonably request to verify Lessee's compliance with Section 18.4 and this Section 18.5.

ARTICLE XIX

HOLDING OVER

19.1 Holding Over. If Lessee for any reason remains in possession of

the Leased Property after the expiration or earlier termination of the Term, such possession shall be as a tenant at sufferance during which time Lessee shall pay as rental each month two times the aggregate of (a) one-twelfth of the aggregate Base Rent and Percentage Rent payable with respect to the last Lease Year of the Term, (b) all Additional Charges accruing during the applicable month and (c) all other sums, if any, payable by Lessee under this Lease with respect to the Leased Property. During such period, Lessee shall be obligated to perform and observe all of the terms, covenants and conditions of this Lease, but shall have no rights hereunder other than the right, to the extent given by law to tenancies at sufferance, to continue its occupancy and use of the Leased Property. Nothing contained herein shall constitute the consent, express or implied, of Lessor to the holding over of Lessee after the expiration or earlier termination of this Lease.

ARTICLE XX

INDEMNITIES

20.1 Indemnification.

(a) LESSEE WILL PROTECT, INDEMNIFY, HOLD HARMLESS AND DEFEND LESSOR INDEMNIFIED PARTIES FROM AND AGAINST ALL LIABILITIES, OBLIGATIONS, CLAIMS, DAMAGES, PENALTIES, CAUSES OF ACTION, COSTS AND EXPENSES (INCLUDING, WITHOUT LIMITATION, REASONABLE ATTORNEYS' FEES

AND EXPENSES), TO THE EXTENT PERMITTED BY LAW, INCLUDING THOSE RESULTING FROM A LESSOR INDEMNIFIED PARTY'S OWN NEGLIGENCE but excluding those resulting from a Lessor Indemnified Party's gross negligence or willful misconduct, imposed upon or incurred by or asserted against Lessor Indemnified Parties by reason of: (a) any accident, injury to or death of persons or loss of or damage to property occurring on or about the Leased Property or adjoining sidewalks, during the Term or while the Leased Property is in the possession or control of Lessee including without limitation any claims under liquor liability, "dram shop" or similar laws, (b) any past, present or future use, misuse, non-use, condition, management, operation, maintenance or repair by Lessee or any of its agents, employees, contractors or invitees of the Leased Property or Lessee's Personal Property, or any litigation, proceeding or claim by governmental entities or other third parties to which a Lessor Indemnified Party is made a party or participant related to such use, misuse, non-use, condition, management, operation, maintenance, or repair thereof by Lessee or any of its agents, employees, contractors or invitees, including any failure of Lessee or any of its agents, employees, contractors or invitees to perform any obligations under this Lease or imposed by applicable law (other than arising out of Condemnation proceedings), (c) any Impositions that are the obligations of Lessee pursuant to the applicable provisions of this Lease, (d) any failure on the part of Lessee to perform or comply with any of the terms of this Lease, and (e) the on performance by Lesse or any of its agents, employees or contractors of any of the terms and provisions of any and all existing and future subleases of the Leased Property to be performed by the landlord thereunder.

(b) Lessor shall indemnify, save harmless and defend Lessee Indemnified Parties from and against all liabilities, obligations, claims, damages, penalties, causes of action, costs and expenses imposed upon or incurred by or asserted against Lessee Indemnified Parties as a result of (a) the gross negligence or willful misconduct of Lessor arising in connection with this Lease or (b) any failure on the part of Lessor to perform or comply with any of the terms of this Lease.

(c) Any amounts that become payable by an Indemnifying Party under this Section shall be paid within ten (10) days after liability therefor on the part of the Indemnifying Party is determined by litigation or otherwise, and if not timely paid, shall bear a late charge (to the extent permitted by law) at the Overdue Rate from the date of such determination to the date of payment. Any such amounts shall be reduced by insurance proceeds received and any other recovery (net of costs) obtained by the Indemnified Party. An Indemnifying Party, upon request, shall at its sole expense resist and defend any Proceeding, claim or action, or cause the same to be resisted and defended by counsel designated by the Indemnified Party and approved by the Indemnifying Party, which approval shall not be unreasonably withheld; provided, however, that such approval shall not be required in the case of defense by counsel designated by any insurance company undertaking such defense pursuant to any applicable policy of insurance. Each Indemnified Party shall have the right to employ separate counsel in any such Proceeding, claim or action and to will be at the sole expense of such Indemnified Party unless a conflict of interest prevents representation of such Indemnified Party by the counsel selected by the Indemnified Party and such separate counsel has been approved by the Indemnifying Party, which approval shall not be unreasonably withheld. The Indemnifying Party shall not be liable for any settlement of any such

Proceeding, claim or action made without its consent, which consent shall not be unreasonably withheld, but if settled with the consent of the Indemnifying Party, or if settled without its consent (if its consent shall be unreasonably withheld), or if there be a final, non-appealable judgment for an adversary party in any such Proceeding, claim or action, the Indemnifying Party shall indemnify and hold harmless the Indemnified Party from and against any liabilities incurred by such Indemnified Party by reason of such settlement or judgment. Nothing herein shall be construed as indemnifying a Lessor Indemnified Party against its own grossly negligent acts or omissions or willful misconduct.

(d) Lessee's and Lessor's obligations under the provisions of this Article shall survive any termination of this Lease.

ARTICLE XXI

SUBLETTING AND ASSIGNMENT

21.1 Subletting and Assignment.

(a) Subject to the provisions of Article XVIII and Sections

21.2, 21.3 and any other express consents, conditions, limitations or other

provisions set forth herein, Lessee shall not assign this Lease or hereafter sublease all or any part of the Leased Property without first obtaining the written consent of Lessor. In the case of a permitted subletting, the sublessee shall comply with the provisions of Sections 18.2, 18.3, 18.4, 18.5, 21.2 and

21.3, and in the case of a permitted assignment, the assignee shall assume in $\hfill = \hfill = \hfi$

writing and agree to keep and perform all of the terms of this Lease on the part of Lessee to be kept and performed and shall be, and become, jointly and severally liable with Lessee for the performance thereof. In case of either an assignment or subletting made during the Term, Lessee shall remain primarily liable, as principal rather than as surety, for the prompt payment of the Rent and for the performance and observance of all of the covenants and conditions to be performed by Lessee hereunder. An original counterpart of each such sublease and assignment and assumption, duly executed by Lessee and such sublessee or assignee, as the case may be, in form and substance satisfactory to Lessor, shall be delivered promptly to Lessor.

(b) Lessee acknowledges that this Lease is a lease of nonresidential real property and therefore agrees that Lessee, as the debtor in possession, or the trustee for Lessee (collectively "the Trustee") in any

proceeding under Title 11 of the United States Bankruptcy Code relating to Bankruptcy, as amended (the "Bankruptcy Code"), shall not seek or request any

extension of time to assume or reject this Lease or to perform any obligations of this Lease which arise from or after the order of relief.

(c) If the Trustee proposes to assume or to assign this Lease or sublet the Premises (or any portion thereof) to any person which shall have made a bona fide offer to accept an assignment of this Lease or a subletting on terms acceptable to the Trustee, the Trustee shall give Lessor, and lessors and mortgagees of Lessor of which Lessee has notice, written notice

setting forth the name and address of such person and the terms and conditions of such offer, no later than twenty (20) days after receipt of such offer, but in any event no later than ten (10) days prior to the date on which the Trustee makes application to the Bankruptcy Court for authority and approval to enter into such assumption and assignment or subletting. Lessor shall have the prior right and option, to be exercised by written notice to the Trustee given at any time prior to the effective date of such proposed assignment or subletting, to receive an assignment of this Lease or subletting of the Premises to Lessor or Lessor's designee upon the same terms and conditions and for the same consideration, if any, as the bona fide offer made by such person, less any brokerage commissions which may be payable out of the consideration to be paid by such person for the assignment or subletting of this Lease.

(d) The Trustee shall have the right to assume Lessee's rights and obligations under this Lease only if the Trustee: (a) promptly cures or provides adequate assurance that the Trustee will promptly cure any default under this Lease; (b) compensates or provides adequate assurance that the Trustee will promptly compensate Lessor for any actual pecuniary loss incurred by Lessor as a result of Lessee's default under this Lease; and (c) provides adequate assurance of future performance under this Lease. Adequate assurance of future performance by the proposed assignee shall include, as a minimum, that: (i) any proposed assignee of this Lease shall provide to Lessor an audited financial statement, dated no later than six (6) months prior to the effective date of such proposed assignment or sublease with no material change therein as of the effective date, which financial statement shall show the proposed assignee to have a net worth equal to at least the Minimum Net Worth, or, in the alternative, the proposed assignee shall provide a guarantor of such proposed assignee's obligations under this Lease, which guarantor shall provide an audited financial statement meeting the requirements of (i) above and shall execute and deliver to Lessor a guaranty agreement in form and substance acceptable to Lessor; and (ii) any proposed assignee shall grant to Lessor a security interest in favor of Lessor in all furniture, fixtures, and other personal property to be used by such proposed assignee in the Leased Property. All payments required of Lessee under this Lease, whether or not expressly denominated as such in this Lease, shall constitute rent for the purposes of Title 11 of the Bankruptcy Code.

(e) The parties agree that for the purposes of the Bankruptcy Code relating to (a) the obligation of the Trustee to provide adequate assurance that the Trustee will "promptly" cure defaults and compensate Lessor for actual pecuniary loss, the word "promptly" shall mean that cure of defaults and compensation will occur no later than sixty (60) days following the filing of any motion or application to assume this Lease; and (b) the obligation of the Trustee to compensate or to provide adequate assurance that the Trustee will promptly compensate Lessor for "actual pecuniary loss", the term "actual

pecuniary loss" shall mean, in addition to any other provisions contained herein relating to Lessor's damages upon default obligations of Lessee to pay money under this Lease and all attorneys' fees and related costs of Lessor incurred in connection with any default of Lessee in connection with Lessee's bankruptcy proceedings.

(f) Any person or entity to which this Lease is assigned pursuant to the provisions of the Bankruptcy Code shall be deemed, without further act or deed, to have assumed all of the obligations arising under this Lease and each of the conditions and provisions hereof on

and after the date of such assignment. Any such assignee shall, upon the request of Lessor, forthwith execute and deliver to Lessor an instrument, in form and substance acceptable to Lessor, confirming such assumption.

21.2 Attornment. Lessee shall insert in each future sublease

permitted under Section 21.1 provisions to the effect that (a) such sublease is

subject and subordinate to all of the terms and provisions of this Lease and to the rights of Lessor hereunder, (b) if this Lease terminates before the expiration of such sublease, the sublessee thereunder will, at Lessor's option, attorn to Lessor and waive any right the sublessee may have to terminate the sublease or to surrender possession thereunder as a result of the termination of this Lease, and (c) if the sublessee receives a written Notice from Lessor or Lessor's assignees, if any, stating that an uncured Event of Default exists under this Lease, the sublessee shall thereafter be obligated to pay all rentals accruing under said sublease directly to the party giving such Notice, or as such party may direct. All rentals received from the sublessee by Lessor or Lessor's assignees, if any, as the case may be, shall be credited against the amounts owing by Lessee under this Lease.

21.3 Management Agreement. Lessee shall not enter into any

management or agency agreement relating to the management or operation of the Facility or any modifications to such management or agency agreement without Lessor's prior written approval of the terms and conditions thereof and of the identity of any manager of the Facility which is not an Affiliate of Lessee. Lessor hereby approves that certain Management Agreement dated as of October 14, 1985, as amended successively on September 24, 1986, June 20, 1994 and June as the same may be further amended or modified with the prior written 1997, consent of Lessor (the "Management Agreement") between Lessee, as Developer and Marriott International, Inc., as manager. To the extent any of the provisions of the Management Agreement impose a greater obligation on Lessee than the corresponding provisions of this Lease, then Lessee shall be obligated to comply with, and to take all reasonable actions necessary to prevent breaches or defaults under, the provisions of the Management Agreement, except to the extent that Lessee is prevented from complying with the Management Agreement because of Lessor's breach of its obligations to comply with Article XXXVIII. It is the

intent of the parties hereto that Lessee shall comply in every respect with the provisions of the Management Agreement so as to avoid any default thereunder during the term of this Agreement. Lessee shall not terminate or enter into any modification of the Management Agreement without in each instance first obtaining Lessor's written consent. Lessor and Lessee agree to cooperate fully with each other in the event it becomes necessary to obtain a management extension or modification or a new franchise for the Leased Property, and in any transfer of the Management Agreement to Lessor or any Affiliate thereof or any other successor to Lessee upon the termination of this Lease. Any management or agency agreement other than the Management Agreement shall provide, among other things, that (i) upon termination of this Lease or termination of Lessee's right to possession of the Leased Property for any reason whatsoever, the Management Agreement may be terminated by Lessor without liability for any payment due or to become due to the Manager, and (ii) all fees and other amounts payable by Lessee to Lessor hereunder. Subject to Lessor's prior approval, Lessee may elect to manage the Facility itself, in which case where appropriate in this Lease, the term "Manager" shall

mean Lessee. Lessee shall not enter into any franchise or license agreement without the prior written consent of Lessor and shall, upon Lessor's written request, cooperate fully with Lessor in entering into and establishing a franchise or license agreement relating to the Leased Property.

ARTICLE XXII

ESTOPPEL CERTIFICATES

22.1 Officer's Certificates; Financial Statements; Lessor's Estoppel

(a) At any time and from time to time upon not less than ten (10) days Notice by Lessor, Lessee will furnish to Lessor an Officer's Certificate certifying that this Lease is unmodified and in full force and effect (or that this Lease is in full force and effect as modified and setting forth the modifications), the date to which the Rent has been paid, whether to the knowledge of Lessee there is any existing default or Event of Default hereunder by Lessor or Lessee, and such other information as may be reasonably requested by Lessor. Any such certificate furnished pursuant to this Section may be relied upon by Lessor, any lender, any underwriter and any prospective purchaser of the Leased Property.

(b) Lessee will furnish the following statements and operating information to Lessor:

(1) if requested in writing by Lessor: the most recent Consolidated Financials of Lessee within thirty (30) days after each quarter of any fiscal year (or, in the case of the final quarter in any fiscal year, the most recent Consolidated Financials of Lessee within ninety (90) days);

(2) with reasonable promptness, such other information respecting the financial condition, operations and affairs of Lessee or the Leased Property (A) as Lessor or the Company may be required or may deem desirable in its reasonable discretion to file with or provide to the SEC or any other governmental agency or any other Person, all in the form, and either audited or unaudited, as Lessor may request in Lessor's reasonable discretion, (B) as may be reasonably necessary to confirm compliance by Lessee and its Affiliates with the requirements of this Lease, and (C) as may be required or requested by any existing, potential or future Holder;

(3) on or before each Friday during the Term, a preliminary schedule of Room Revenues, Food Sales and Beverage Sales of the Facility for the immediately preceding calendar week, and on or

before the 5th day of each month, a preliminary schedule of Gross Revenues of the Facility for the immediately preceding calendar month, and on or before the 25th day of each month, a balance sheet, and detailed profit and loss and cash flow statements showing the financial position of the Facility as at the end of the

preceding month and the results of operation of the Facility for such preceding month and the Lease Year to date in accordance with Section

5.02 of the Management Agreement;

(4) monthly STR Reports within five (5) days of Lessee's receipt thereof, if any;

(5) unless required earlier pursuant to this Lease, within five (5) days of Lessee's receipt thereof, any reports received from the Manager under the Management Agreement; and

(6) upon request by Lessor, copies of all licenses, permits, occupancy agreements, operating agreements, leases, contracts, inspection reports, studies, appraisals, assessments, default or other notices and similar materials and information existing with respect to the Leased Property.

(c) At any time and from time to time upon not less than ten (10) days notice by Lessee, Lessor will furnish to Lessee or to any person designated by Lessee an estoppel certificate certifying that this Lease is unmodified and in full force and effect (or that this Lease is in full force and effect as modified and setting forth the modifications), the date to which Rent has been paid, whether to the knowledge of Lessor there is any existing default or Event of Default on Lessee's or Lessor's part hereunder, and such other information as may be reasonably requested by Lessee. Any such certificate furnished pursuant to this Section may be relied upon by Lessee, any lender, any underwriter and any purchaser of the assets of Lessee.

(d) Lessee covenants to cause its officers and employees, its auditors and Manager (to the maximum extent permitted under the Management Agreement) to cooperate fully and promptly with Lessor and the Company and with the auditors for Lessor and the Company in connection with the timely preparation and filing of Lessor's and the Company's filings, reports and returns under applicable federal, state and other governmental securities, blue sky and tax laws and regulations.

ARTICLE XXIII

INSPECTIONS

- - - - - - - - - - - -

23.1 Regular Meetings; Lessor's Right to Inspect.

(a) Lessee agrees that if requested by Lessor (if and to the extent agreed to by Manager), the general manager, the controller, the director of marketing, the asset manager and, if specifically requested by Lessor, the director of food and beverage and the chief engineer for the Facility will meet at the Facility with Lessor and its representatives on a monthly basis throughout each Lease Year in order to discuss all aspects of the management, maintenance and operation of the Facility.

(b) Lessee shall permit Lessor and its representatives as frequently as reasonably requested by Lessor to inspect the Leased Property and Lessee's accounts and records pertaining thereto and make copies thereof, during usual business hours upon reasonable advance notice, subject only to any business confidentiality requirements reasonably requested by Lessee. In conducting such inspections Lessor shall not unreasonably interfere with the conduct of Lessee's business at the Leased Property.

ARTICLE XXIV

NO WAIVER

24.1 No Waiver. No failure by Lessor or Lessee to insist upon the

strict performance of any term hereof or to exercise any right, power or remedy consequent upon a breach thereof, and no acceptance of full or partial payment of Rent during the continuance of any such breach, shall constitute a waiver of any such breach or of any such term. To the extent permitted by law, no waiver of any breach shall affect or alter this Lease, which shall continue in full force and effect with respect to any other then existing or subsequent breach.

ARTICLE XXV

CUMULATIVE REMEDIES

25.1 Remedies Cumulative. To the extent permitted by law but subject

to Article XXXIX and any other provisions of this Lease expressly limiting the

rights, powers and remedies of either Lessor or Lessee, each legal, equitable or contractual right, power and remedy of Lessor or Lessee now or hereafter provided either in this Lease or by statute or otherwise shall be cumulative and concurrent and shall be in addition to every other right, power and remedy and the exercise or beginning of the exercise by Lessor or Lessee of any one or more of such rights, powers and remedies shall not preclude the simultaneous or subsequent exercise by Lessor or Lessee of any or all of such other rights, powers and remedies.

ARTICLE XXVI

SURRENDER

26.1 Acceptance of Surrender. No surrender to Lessor of this Lease

or of the Leased Property or any part thereof, or of any interest therein, shall be valid or effective unless agreed to and accepted in writing by Lessor and no act by Lessor or any representative or agent of Lessor, other than such a written acceptance by Lessor, shall constitute an acceptance of any such surrender.

ARTICLE XXVII

NO MERGER

27.1 No Merger of Title. There shall be no merger of this Lease or

of the leasehold estate created hereby by reason of the fact that the same person or entity may acquire, own or hold, directly or indirectly: (a) this Lease or the leasehold estate created hereby or any interest in this Lease or such leasehold estate and (b) the fee estate in the Leased Property.

ARTICLE XXVIII

CONVEYANCE BY LESSOR

28.1 Conveyance by Lessor. Lessor shall have the unrestricted right

to mortgage or otherwise convey the Leased Property to a Holder. If Lessor conveys the Leased Property in accordance with the terms hereof other than to a Holder, and the grantee or transferee of the Leased Property expressly assumes all obligations of Lessor hereunder arising or accruing from and after the date of such conveyance or transfer, Lessor shall thereupon be released from all future liabilities and obligations of Lessor under this Lease arising or accruing from and after the date of such conveyance or other transfer as to the Leased Property and all such future liabilities and obligations shall thereupon be binding upon the new owner. If Lessee is not reasonably satisfied that the new owner is a capable, reliable and qualified Person of good reputation and character, Lessee may terminate this Lease upon sixty (60) days' Notice to Lessor given within thirty (30) days after Lessee receives Notice of such conveyance.

28.2 Lessor May Grant Liens.

(a) Without the consent of Lessee, Lessor may from time to time, directly or indirectly, create or otherwise cause to exist any lien, encumbrance or title retention agreement upon the Leased Property, or any portion thereof or interest therein, or upon Lessor's interest in this Lease, whether to secure any borrowing or other means of financing or refinancing. This Lease and Lessee's interest hereunder shall at all times be subject and subordinate to the lien and security title of any deeds to secure debt, deeds of trust, mortgages, or other interests heretofore or hereafter granted by Lessor or which otherwise encumber or affect the Leased Property and to any and all advances to be made thereunder, substitutions, and extensions thereof (all of which are herein called the "Mortgage"), provided that the Mortgage and all

security agreements delivered by Lessor in connection therewith shall be subject to Lessee's rights under this Lease to receive all Gross Revenues of the Facility prior to the earlier of the occurrence of an Event of Default or the date that this Lease is terminated by the Holder of the Mortgage in the exercise of its remedies thereunder. In confirmation of such subordination, however, Lessee shall, at Lessor's request, promptly execute, acknowledge and deliver any instruments which may be required to evidence subordination to any Mortgage and to the Holder thereof and the assignment of this Lease and Lessor's rights and interests thereunder to such Holder. In the event of Lessee's failure to deliver

such instruments and if the Mortgage and such instruments do not change materially and adversely any term of this Lease, Lessor may, in addition to any other remedies for breach of covenant hereunder, execute, acknowledge, and deliver the instrument as the agent or attorney-in-fact of Lessee, and Lessee hereby irrevocably constitutes Lessor its attorney-in-fact for such purpose, Lessee acknowledging that the appointment is coupled with an interest and is irrevocable.

(b) Lessee shall, upon the request of Lessor or any existing, potential or future Holder, (i) provide Lessor or such Holder with copies of all licenses, permits, occupancy agreements, operating agreements, leases, contracts, inspection reports, studies, appraisals, assessments, default or other notices and similar materials reasonably requested in connection with any existing or proposed financing of the Leased Property, and (ii) execute and/or cause the Manager to execute, as applicable, such estoppel agreements and collateral assignments with respect to the Facility's liquor license, the Management Agreement and any of the other aforementioned agreements as Holder may reasonably request in connection with any such financing, provided that no such estoppel agreement or collateral assignment shall in any way affect the Term or affect adversely in any material respect any rights of Lessee under this Lease.

(c) No act or failure to act on the part of Lessor which would entitle Lessee under the terms of this Lease, or by law, to be relieved of any of Lessee's obligations hereunder (including, without limitation, its obligation to pay Rent) or to terminate this Lease, shall result in a release or termination of such obligations of Lessee or a termination of this Lease unless: (i) Lessee shall have first given written notice of Lessor's act or failure to act to any Holder of whom Lessee has been given written notice of such Holder's status as a Holder, specifying the act or failure to act on the part of Lessor which would give basis to Lessee's rights; and (ii) the Holder, after receipt of such notice, shall have failed or refused to correct or cure the condition complained of within a reasonable time thereafter (in no event less than sixty (60) days), which shall include a reasonable time for such Holder to obtain possession of the Leased Property, if possession is reasonably necessary for the Holder to correct or cure the condition, or to foreclose such Mortgage, and if the Holder notifies the Lessee of its intention to take possession of the Leased Property or to foreclosure such Mortgage, and correct or cure such condition. If such Holder is prohibited by any process or injunction issued by any court or by reason of any action by any court having jurisdiction or any bankruptcy, debtor rehabilitation or insolvency proceedings involving Lessor from commencing or prosecuting foreclosure or other appropriate proceedings in the nature thereof, provided, however, that this Lease shall continue to be in full force and effect, the times for commencing or prosecuting such foreclosure or other proceedings shall be extended for the period of such prohibition.

(d) Lessee shall deliver by notice delivered in the manner provided in Article XXX to any Holder who gives Lessee written notice of its

status as a Holder, at such Holder's address stated in the Holder's written notice or at such other address as the Holder may designate by later written notice to Lessee, a duplicate copy of any and all notices regarding any default which Lessee may from time to time give or serve upon Lessor pursuant to the provisions of this Lease. Copies of such notices given by Lessee to Lessor shall be delivered to such Holder simultaneously with delivery to Lessor. No such notice by Lessee to Lessor hereunder shall be

deemed to have been given unless and until a copy thereof has been mailed to such Holder as provided above.

(e) At any time, and from time to time, upon not less than ten(10) days' notice by a Holder to Lessee, Lessee shall deliver to such Holder an estoppel certificate certifying as to the information required in Section

22.1(c), and such other information as may be reasonably requested by such

Holder. Any such certificate may be relied upon by such Holder.

(f) Lessee shall cooperate in all reasonable respects, and as generally described in Section 42.2 of this Lease, with any transfer of the

Leased Property to a Holder that succeeds to the interest of Lessor in the Leased Property (including, without limitation, in connection with the transfer of any management, franchise, license, lease, permit, contract, agreement, or similar item to such Holder or such Holder's designee necessary or appropriate to operate the Leased Property). Lessor and Lessee shall cooperate in (i) including in this Lease by suitable amendment from time to time any provision which may be requested by any proposed Holder, or may otherwise be reasonably necessary, to implement the provisions of this Article and (ii) entering into any further agreement with or at the request of any Holder which may be reasonably requested or required by such Holder in furtherance or confirmation of the provisions of this Article; provided, however, that any such amendment or agreement shall not in any way affect the Term nor affect adversely in any material respect any rights of Lessor or Lessee under this Lease.

ARTICLE XXIX

QUIET ENJOYMENT

29.1 Quiet Enjoyment. So long as Lessee pays all Rent as the same

becomes due and complies with all of the terms of this Lease and performs its obligations hereunder, in each case within the applicable grace and/or cure periods, if any, Lessee shall peaceably and quietly have, hold and enjoy the Leased Property for the Term hereof, free of any claim or other action by Lessor or anyone claiming by, through or under Lessor and not claiming by, through or under Lessee, but subject to all liens and encumbrances subject to which the Leased Property was conveyed to Lessor or hereafter consented to by Lessee or provided for herein. Lessee shall have the right by separate and independent action to pursue any claim it may have against Lessor as a result of a breach by Lessor of the covenant of quiet enjoyment contained in this Section.

ARTICLE XXX

NOTICES

30.1 Notices. All notices, demands, requests, consents approvals and

other communications ("Notice" or "Notices") hereunder shall be in writing and personally served or mailed (by express mail, courier, or registered or certified mail, return receipt requested and postage prepaid), (i) if to Lessor at c/o Boston Properties, Inc., 8 Arlington Street, Boston, MA 02116, Attention: David Barrett and David G. Gaw and (ii) if to Lessee at 8 Arlington Street,

Boston, MA 02116, Attention: William J. Wedge, or to such other address or addresses as either party may hereafter designate. Personally delivered Notice shall be effective upon receipt, and Notice given by mail shall be complete at the time of deposit in the U.S. Mail system, but any prescribed period of Notice and any right or duty to do any act or make any response within any prescribed period or on a date certain after the service of such Notice given by mail shall be extended five days.

ARTICLE XXXI

APPRAISALS

31.1 Appraisers. If it becomes necessary to determine the fair

market value or fair market rental of the Leased Property for any purpose of this Lease, then, except as otherwise expressly provided in this Lease, the party required or permitted to give Notice of such required determination shall include in the Notice the name of a person selected to act as appraiser on its behalf. Within ten (10) days after Notice, Lessor (or Lessee, as the case may be) shall by Notice to Lessee (or Lessor, as the case may be) appoint a second person as appraiser on its behalf. The appraisers thus appointed, each of whom must be a member of the American Institute of Real Estate Appraisers (or any successor organization thereto) with at least five years experience in the State appraising property similar to the Leased Property, shall, within ten (10) days after the date of the Notice appointing the second appraiser, proceed to appraise the Leased Property to determine the fair market value or fair market rental thereof as of the relevant date (giving effect to the impact, if any, of inflation from the date of their decision to the relevant date); provided, however, that if only one appraiser shall have been so appointed, then the determination of such appraiser shall be final and binding upon the parties. If two appraisers are appointed and if the difference between the amounts so determined does not exceed 5% of the lesser of such amounts, then the fair market value or fair market rental shall be an amount equal to 50% of the sum of the amounts so determined. If the difference between the amounts so determined exceeds 5% of the lesser of such amounts, then such two appraisers shall have ten (10) days to appoint a third appraiser. If no such appraiser shall have been appointed within such ten (10) days or within sixty (60) days of the original request for a determination of fair market value or fair market rental, whichever is earlier, either Lessor or Lessee may apply to any court having jurisdiction to have such appointment made by such court. Any appraiser appointed by the original appraisers or by such court shall be instructed to determine the fair market value or fair market rental within thirty (30) days after appointment of such appraiser. The determination of the appraiser which differs most in the terms of dollar amount from the determinations of the other two appraisers shall be excluded, and 50% of the sum of the remaining two determinations shall be final and binding upon Lessor and Lessee as the fair market value or fair market rental of the Leased Property, as the case may be. This provision for determining by appraisal shall be specifically enforceable to the extent such remedy is available under applicable law, and any determination hereunder shall be final and binding upon the parties except as otherwise provided by applicable law. Lessor and Lessee shall each pay the fees and expenses of the appraiser appointed by it and each shall pay one-half of the fees and expenses of the third appraiser and one-half of all other costs and expenses incurred in connection with each appraisal.

ARTICLE XXXII

(Intentionally Deleted)

ARTICLE XXXIII

(Intentionally Deleted)

ARTICLE XXXIV

(Intentionally Deleted)

ARTICLE XXXV

LESSEE CAPITALIZATION REQUIREMENTS

35.1 Lessee's Net Worth. Lessee shall be obligated to maintain at

all times during the Term a Net Worth in an amount at least equal to twenty percent (20%) of the aggregate projected Base Rent and Percentage Rent for the Leased Property and the Other Leased Properties, shown from time to time on the Annual Operating Projection for the Leased Property last approved by Lessor pursuant to Section 3.5 of this Lease and the similar annual budgets last

approved by Lessor pursuant to Section 3.5 or similar sections of the Other

Leases (the "Minimum Net Worth"). As used herein, "Net Worth" shall mean the

excess of total assets over total liabilities, total assets and total liabilities each to be determined in accordance with GAAP, excluding, however, from the determination of total assets: (a) goodwill, organizational expenses, research and development expenses, trademarks, trade names, copyrights, patents, patent applications, and other similar intangibles; (b) all deferred charges that are not required to be capitalized in accordance with GAAP or unamortized debt discounts and expense; (c) treasury stock; (d) securities which are not readily marketable; (e) any write-up in the book value of any asset resulting from a revaluation thereof; (f) this Lease and the Other Leases; and (g) any items not included in clauses (a) through (f) above that are treated as intangibles in conformity with GAAP. Notwithstanding the foregoing, demand notes from Messrs. Zuckerman and/or Linde shall be acceptable assets hereunder.

35.2 Lessee's Cash. On the date hereof Lessee shall have Cash and/or

Working Capital in the amount of at least \$500,000, and Lessee shall at all times hereafter maintain an adequate amount of Working Capital to operate the Facility. As used herein, "Cash" shall mean (a) cash or other immediately

available funds, (b) any debt instrument with a term of up to 12 months that is issued by or backed by the full faith and credit of the United States, (c) any certificate of deposit with a term of up to 12 months that is issued by an issuer that, on the date of issuance and on each date of any renewal or reissuance thereof, is a substantial U.S. financial institution that is satisfactory to Lessor (an "Approved Financial Institution"), and which

instrument is in form and substance satisfactory to the Lessor, (d) any irrevocable, "clean" letter of credit issued by an

issuer that, on the date of issuance and on each date of any renewal or reissuance thereof, is an Approved Financial Institution, and which instrument is in form and substance satisfactory to the Lessor, and (e) a repurchase agreement with a term of up to ninety (90) days that is binding upon an Approved Financial Institution, and which agreement is in form and substance satisfactory to the Lessor. As used herein, "Working Capital" shall mean the excess of the Lessee's current assets over the Lessee's current liabilities, both as determined in accordance with GAAP.

35.3 Verification of Net Worth. In addition to the Consolidated

Financials of Lessee to be delivered to Lessor pursuant to Section 22.1, Lessee

shall deliver to Lessor, together with such Consolidated Financials of Lessee, an Officer's Certificate in form reasonably required by Lessor, certifying the Net Worth and Cash of Lessee as of the date of the Consolidated Financials of Lessee being delivered concurrently therewith and stating that Lessee is in compliance with its obligations under Sections 35.1 and 35.2 of this Lease, or

if not, so stating and including the reasons therefor. Lessor shall have the right from time to time and at any time to have an independent certified public accountant selected by Lessor perform an audit or other review of the books and records of Lessee to verify the amount of Lessee's Net Worth and Cash, and Lessee shall cooperate with Lessor in connection therewith. If Lessor audits or reviews the amount of Lessee's Net Worth and Cash shown in the last Officer's Certificate delivered to Lessor, and such audit or review discloses that either the Net Worth or Cash of Lessee as of such date certified is one percent (1%) or more less than the amount shown on the Officer's Certificate or that the statements in such Officer's 35.1 or 35.2 is otherwise materially incorrect,

then in addition to any other rights and remedies of Lessor, Lessee shall pay for the cost of the audit or review. Otherwise, Lessor shall bear the cost of the audit or review.

35.4 Change of Control. Lessee represents and warrants that it is a

Delaware limited liability company all of whose interests are owned by Mortimer B. Zuckerman and Edward H. Linde who, in the aggregate, hold a 9.8% ownership interest, and Seven Cambridge Center, Inc., which holds a 90.2% ownership interest. Without the prior written consent of Lessor, neither Lessee nor any member of Lessee shall, directly or indirectly, sell, transfer, convey, pledge or assign, or suffer or permit the sale, transfer, conveyance, pledge or assignment, of (a) its interest in this Lease, or (b) any ownership interest in Lessee.

35.5 Other Business Activities. Lessee shall not engage in or incur

any expenses, indebtedness or obligations related to any business or activity, including without limitation owning, leasing or managing hotels other than the Facility, that is not directly related to leasing the Leased Property under this Lease or the Other Leased Properties under the Other Leases.

35.6 Non-Competition. Without Lessor's prior written consent,

neither Lessee nor any Affiliate thereof shall, during the Term hereof, either (a) lease or manage another hotel owned by a real estate investment trust other than the Company, or (b) acquire, construct, operate, lease, franchise or manage any hotel within a five (5) mile radius of the Leased Property.

LESSOR'S OPTION TO TERMINATE

36.1 Lessor's Option to Terminate Lease.

(a) In the event (i) Lessor consummates a bona fide contract to sell the Leased Property to a non-Affiliate, (ii) of a Tax Law Change resulting in Lessor's determination to terminate this Lease, or (iii) a Tax Structure Change, then in any of such events Lessor may terminate this Lease by (1) giving not less than thirty (30) days prior Notice to Lessee of Lessor's election to terminate this Lease upon the closing under such contract, or (2) upon a date specified by Lessor which is on or after the effective date of the Tax Law Change or an election of Lessor to terminate this Lease under (iii) above, whichever is applicable. Effective upon such date, this Lease shall terminate and be of no further force and effect except as to any obligations of the parties existing as of such date that survive termination of this Lease and all Rent including Percentage Rent and Additional Charges shall be adjusted as of the termination date.

(b) As compensation for the early termination of its leasehold estate under this Article XXXVI because of a Tax Law Change, Lessor shall within ninety

(90) days of such termination, pay to Lessee the fair market value of Lessee's leasehold estate hereunder for the twelve (12) month period commencing on the date of such termination (or, if shorter, the remaining term of the Lease).

(c) As compensation for the early termination of its leasehold estate under this Article XXXVI because of a Tax Structure Change, Lessor shall within

ninety (90) days after the termination of this Lease pay to Lessee the fair market value of Lessee's leasehold estate hereunder for the twelve (12) month period commencing on the date of such termination (or, if shorter, the remaining term of the Lease).

(d) For the purposes of this Section, fair market value of the leasehold estate means, as applicable, an amount equal to the price that a willing buyer not compelled to buy would pay a willing seller not compelled to sell for Lessee's leasehold estate under this Lease or an offered replacement leasehold estate assuming that the remaining term of the Lease is the lesser of

(i) the actual remaining term or (ii) twelve (12) months. In computing fair market value of a leasehold estate and a new management agreement, the appraiser shall discount all future income, expenses and fees to the then present value at a rate of fifteen percent (15%) per annum.

ARTICLE XXXVII

LESSOR'S RIGHTS

37.1 Lessor's Rights. Notwithstanding anything to the contrary

contained herein or in the Management Agreement, any event or other circumstance requiring Lessee's consent under the Management Agreement shall not be granted or withheld by Lessee unless and until Lessee shall have consulted with Lessor in connection with such consent or disapproval.

ARTICLE XXXVIII

CAPITAL EXPENDITURES

38.1 Capital Expenditures.

(a) Commencing upon the Commencement Date, Lessor shall be obligated to accrue the Capital Expenditures Reserve (to the extent such reserve is not maintained by Manager pursuant to the Management Agreement). Except as otherwise provided in the Management Agreement, upon written request by Lessee to Lessor stating the specific use to be made and subject to the reasonable approval thereof by Lessor, such funds shall only be made available by Lessor to Lessee for Capital Expenditures if and to the extent specifically approved by Lessor; provided, however, that no Capital Expenditures shall be used to purchase property (other than "real property" within the meaning of Treasury Regulations Section 1.856-3(d)), to the extent that doing so would cause the Lessor to recognize income other than "rents from real property" as defined in Section 856(d) of the Code or to recognize income other than rents described in Section 512(b)(3) of the Code. Lessor's obligation shall be cumulative, but not compounded, and any amounts that have accrued hereunder shall be payable in future periods for such uses and in accordance with the procedures set forth herein. Lessee shall have no interest in any accrued obligation of Lessor hereunder after the termination of this Lease. All Capital Improvements shall be owned by Lessor subject to the provisions of this Lease and the Management Agreement. Lessee shall promptly notify Lessor of any Capital Expenditures or other expenditures made in accordance with the Management Agreement.

(b) Except as specifically provided otherwise in Section 8.3(b),

Lessor's obligation to make Capital Expenditures in respect to Capital Improvements and to comply with the provisions of this Lease which may require the availability of funds for Capital Improvements shall be limited to amounts available in the Capital Expenditures Reserve and such additional amounts as Lessor may agree to make available in Lessor's sole discretion; provided, however, that if additional Capital Expenditures are required to meet Emergency Situations, Lessor shall make such amounts available to Lessee and, unless otherwise provided in Section 8.03(B) of the Management Agreement, receive a pro rata credit therefor against amounts which Lessor is obligated to accrue for the Capital Expenditures Reserve during the remainder of the Term. No arbitration resulting from the failure of Lessor and Lessee to agree upon any matter shall increase Lessor's obligation for Capital Expenditures beyond the amounts set forth in the immediately

preceding sentence. To the extent that Lessee's obligations under this Lease (including, without limitation, the obligations set forth in Sections 7.2, 8.1

and 9.1 and in Article XXXVII) are dependent upon the availability of amounts

for Capital Expenditures which exceed the amounts that Lessor is obligated to provide pursuant to this Article XXXVIII, such obligations of Lessee shall be

correspondingly diminished.

(c) Lessor shall, subject to Manager's rights pursuant to the Management Agreement, have sole authority with respect to the implementation of all Capital Improvements. Such authority shall extend both to the plans and specifications (including matters of design and decor) and to the contracting and purchasing of all labor, services and materials.

ARTICLE XXXIX

LESSOR'S DEFAULT

39.1 Lessor's Default.

(a) It shall be a breach of this Lease if Lessor fails to observe or perform any term, covenant or condition of this Lease on its part to be performed and such failure continues for a period of thirty (30) days after Notice thereof from Lessee, unless such failure cannot with due diligence be cured within a period of thirty (30) days, in which case such failure shall not be deemed a breach if Lessor proceeds within such thirty (30)-day period, with due diligence, to cure the failure and thereafter diligently completes the curing thereof. The time within which Lessor shall be obligated to cure any such failure also shall be subject to extension of time due to the occurrence of any Unavoidable Delay. If Lessor does not cure any such failure within the applicable time period as aforesaid, Lesser may declare the existence of a "Lessor Default" by a second Notice to Lessor. Thereafter, subject to the

provisions of the following paragraph, Lessee may (but shall be under no obligation at any time thereafter to) make such payment or perform such act for the account and at the expense of Lessor. All sums so paid by Lessee and all costs and expenses (including, without limitation, reasonable attorneys' fees and court costs) so incurred, together with interest thereon at the Overdue Rate from the date on which such sums or expenses are paid or incurred by Lessee until the date paid by Lessor or offset by Lessee as expressly provided herein, shall be paid by Lessor to Lessee on demand or Lessee may offset or counterclaim such sums actually paid by Lessee against Percentage Rents or Other Charges due hereunder. Lessee shall have no right to terminate this Lease for any Lessor Default and no right, for any such Lessor Default, to offset or counterclaim against any rent or other Charges due hereunder unless otherwise expressly provided in this Lease.

(b) If Lessor shall in good faith dispute the occurrence of any Lessor Default and Lessor, before the expiration of the applicable cure period, shall give Notice thereof to Lessee, setting forth, in reasonable detail, the basis therefor, no Lessor Default shall be deemed to have occurred and Lessor shall have no obligation with respect thereto, and Lessee shall have no right to offset or counterclaim for costs and expenses incurred and paid by Lessee against any Percentage Rent or Other Charges due hereunder, until final adverse determination thereof,

whether through arbitration or otherwise; provided, however, that in the event

of any such adverse determination, Lessor shall pay to Lessee, or Lessee may offset or counterclaim against Percentage Rent or Other Charges due hereunder, interest on any disputed funds at the Base Rate, from the date demand for such funds was made by Lessee until the date of final adverse determination and, thereafter, at the Overdue Rate until paid. If Lessee and Lessor shall fail, in good faith, to resolve any such dispute within ten (10) days after Lessor's Notice of dispute, either may submit the matter for determination by arbitration, but only if such matter is required to be submitted to arbitration pursuant to any provision of this Lease, or otherwise by a court of competent jurisdiction.

(c) Notwithstanding anything to the contrary contained in this Lease, for the enforcement of any judgment (or other judicial decree) requiring the payment of money by Lessor to Lessee by reason of any default by Lessor under this Lease or otherwise, Lessee shall look solely to the estate and property of Lessor in the Leased Property and any insurance proceeds under any policies of insurance maintained by Lessor in accordance with this Lease which are paid on account of the same circumstances as led to Lessee's judgment, it being intended that no other assets of Lessor or any of Lessor's Affiliates shall be subject to levy, execution, attachment or any other legal process for the enforcement or satisfaction of any judgment (or other judicial decree) obtained by Lessee against Lessor, except in the following cases: (i) any liability of Lessor for its own gross negligence, willful misconduct or Environmental Liabilities caused by affirmative actions of Lessor, (ii) any liability of Lessor for repayment to Lessee upon the termination of this Lease of any excess payments of Percentage Rent or Additional Charges for the last Lessor payable to Lessee, Lessee may offset the amount of such judgment or award against the Percentage Rent next coming due under this Lease.

ARTICLE XL

ARBITRATION

40.1 Arbitration. Except as set forth in Section 40.2, in each case

specified in this Lease in which it shall become necessary to resort to arbitration, such arbitration shall be determined as provided in this Section

40.1. The party desiring such arbitration shall give Notice to that effect to

the other party, and an arbitrator shall be selected by mutual agreement of the parties, or if they cannot agree within thirty (30) days of such notice, by appointment made by the American Arbitration Association ("AAA") from among the

members of its panels who are qualified and who have experience in resolving matters of a nature similar to the matter to be resolved by arbitration.

40.2 Alternative Arbitration. In each case specified in this Lease

for a matter to be submitted to arbitration pursuant to the provisions of this

Section 40.2, Lessor shall be entitled to designate any nationally recognized

accounting firm with a hospitality division of which Lessor or an Affiliate of Lessor is not a significant client to serve as arbitrator of such dispute within fifteen (15) days after written demand for arbitration is received or sent by Lessor. In the event

Lessor fails to make such designation within such fifteen (15) day period, Lessee shall be entitled to designate any nationally recognized accounting firm with a hospitality division of which Lessee or an Affiliate of Lessee is not a significant client to serve as arbitrator of such dispute within fifteen (15) days after Lessor fails to timely make such designation. In the event no nationally recognized accounting firm satisfying such qualifications is available and willing to serve as arbitrator, the arbitration shall instead be administered as set forth in Section 40.1.

40.3 Arbitration Procedures. In any arbitration commenced pursuant

to Sections 40.1 or 40.2, a single arbitrator shall be designated and shall

resolve the dispute. The arbitrator's decision shall be binding on all parties and shall not be subject to further review or appeal except as otherwise allowed by applicable law. Upon the failure of either party (the "non-complying party")

to comply with his decision, the arbitrator shall be empowered, at the request of the other party, to order such compliance by the non-complying party and to supervise or arrange for the supervision of the non-complying party's obligation to comply with the arbitrator's decision, all at the expense of the noncomplying party. To the maximum extent practicable, the arbitrator and the parties, and the AAA if applicable, shall take any action necessary to insure that the arbitration shall be concluded within ninety (90) days of the filing of such dispute. The fees and expenses of the arbitrator shall be shared equally by Lessor and Lessee except as otherwise specified above in this Section 40.3.

Unless otherwise agreed in writing by the parties or required by the arbitrator or AAA, if applicable, arbitration proceedings hereunder shall be conducted in the State. Notwithstanding formal rules of evidence, each party may submit such evidence as each party deems appropriate to support its position and the arbitrator shall have access to and right to examine all books and records of Lessee and Lessor regarding the Facility during the arbitration.

ARTICLE XLI

TRADE-OUTS

41.1 Trade-outs. Lessee shall not enter into and shall use its best

efforts not permit Manager to enter into any material trade-out agreements or arrangements (i.e., agreements or arrangements pursuant to which goods or services are provided to or for the benefit of Lessee or Manager or their respective Affiliates or the Facility in exchange for free or reduced rate rooms, food and beverage services, or other Facility services) without Lessor's prior written consent. As to any trade-out agreements assigned to and assumed by Lessee from Lessor or the prior owner of the Leased Property, Lessor and Lessee shall agree on fair and equitable amounts (or a methodology for determining such amounts) to be included in Beverage Sales, Food Sales and Room Revenues for purposes of this Lease, including the calculation of Percentage Rent, to take into account the loss of Gross Revenues, if any, resulting from the rooms or services provided by the Facility in exchange for the goods or services provided to Lessee, its Affiliates, or the Facility. If Lessor and Lessee do not reach agreement as to such amounts (or a methodology for determining such amounts) the disagreement shall be resolved by arbitration pursuant to Section 40.2. Lessor

shall not unreasonably withhold its consent to a trade-out agreement or arrangement proposed by Lessee which benefits the Facility provided that the term of the trade-out agreement does not extend beyond the stated Term of this Lease and provided that Lessor and

Lessee have agreed in writing as to the amounts (or a methodology for determining such amounts) to be included in Beverage Sales, Food Sales and Room Revenues to take into account the loss of Gross Revenues, if any, resulting from the rooms or services provided by the Facility in exchange for the goods or services provided to or for the benefit of the Facility.

ARTICLE XLII

.

MISCELLANEOUS

42.1 Miscellaneous. Anything contained in this Lease to the contrary

notwithstanding, all claims against, and liabilities of, Lessee or Lessor arising prior to any date of termination of this Lease shall survive such termination. If any term or provision of this Lease or any application thereof is invalid or unenforceable, the remainder of this Lease and any other application of such term or provisions shall not be affected thereby. If any late charges or any interest rate provided for in any provision of this Lease are based upon a rate in excess of the maximum rate permitted by applicable law, the parties agree that such charges shall be fixed at and limited to the maximum permissible rate. Neither this Lease nor any provision hereof may be changed, waived, discharged or terminated except by a written instrument in recordable form signed by Lessor and Lessee. All the terms and provisions of this Lease shall be binding upon and inure to the benefit of the parties hereto and their respective successors and assigns. The headings in this Lease are for convenience of reference only and shall not limit or otherwise affect the meaning hereof. This Lease shall be governed by and construed in accordance with the laws of the State, but not including its conflicts of laws rules. If any payment required to be made pursuant to this Lease shall become due on a day which is not a Business Day, such payment shall be made on the next succeeding Business Day.

42.2 Transition Procedures. Lessee shall and shall cause Manager to

cooperate in good faith to provide access and information to any prospective purchaser or lessee of the Leased Property which may acquire the Leased Property or lease it upon the expiration or termination of the Term. Upon any expiration or termination of the Term, Lessor and Lessee shall do the following and, in general, shall cooperate in good faith to effect an orderly transition of the lease of the Facility. The provisions of this Section 42.2 shall survive the

expiration or termination of this Lease until they have been fully performed. Nothing contained herein shall limit Lessor's rights and remedies under this Lease if such termination occurs as the result of an Event of Default.

(a) Transfer of Licenses. Upon the expiration or earlier termination

of the Term, Lessee shall use its best efforts (i) to transfer to Lessor or Lessor's designee all licenses, operating permits and other governmental authorizations and all contracts, including contracts with governmental or quasi-governmental entities, in each instance to the extent held in the name of Lessee, that may be necessary for the operation of the Facility (collectively, "Licenses"), or (ii) if such transfer is prohibited by law or Lessor otherwise

elects, to cooperate with Lessor or Lessor's designee in connection with the processing by Lessor or Lessor's designee of any applications for all Licenses, including Lessee or Manager continuing to operate the liquor operations under its

licenses with Lessor or its designee agreeing to indemnify and hold Lessee harmless as a result thereof except for the gross negligence or willful misconduct of Lessee; provided, in either case, that the costs and expenses of any such transfer or the processing of any such application shall be paid by Lessor or Lessor's designee.

(b) Leases and Concessions. Lessee shall assign to Lessor or Lessor's

designee simultaneously with the termination of this Agreement, and the assignee shall assume all leases, contracts, concession agreements and agreements (including the Management Agreement) in effect with respect to the Facility then in Lessee's name, unless Lessor rejects one or more of such leases, contracts, concession agreements or other agreements (other than the Management Agreement) in writing within thirty (30) days following the date of termination of this Agreement in which event the agreement or agreements so rejected shall be deemed reassigned and shall remain the property and responsibility of Lessee.

(c) Books and Records. To the extent that Lessor has not already

received copies thereof, a copy of all books and records (including computer records) for the Facility kept by Lessee pursuant to Section 3.6 shall be

promptly delivered to Lessor or Lessor's designee.

(d) Receivables and Payables, etc. Lessor shall be entitled to retain

all cash, bank accounts and house banks on the termination date. Lessee shall be entitled to collect all Gross Revenues and accounts receivable accrued through the termination date. Lessee shall be responsible for the payment of Rent, all operating expenses of the Facility and all other obligations of Lessee accrued under this Lease as of the termination date, and Lessor shall be responsible for all operating expenses of the Facility accruing after the termination date. Lessee shall surrender the Leased Property with an amount and quality of Nonconsumable Inventory equal to the Initial Nonconsumable Inventory, and Lessor shall have no obligation to purchase such Nonconsumable Inventory or any other items of Lessee's Personal Property.

42.3 Waiver of Presentment, etc. Lessee waives all presentments,

demands for payment and for performance, notices of nonperformance, protests, notices of protest, notices of dishonor, and notices of acceptance and waives all notices of the existence, creation, or incurring of new or additional obligations, except as expressly granted herein.

42.4 Standard of Discretion. In any provision of this Lease

requiring or permitting the exercise by Lessor or Lessee of such party's approval, election, decision, consent, judgment, determination or words of similar import (collectively, an "Approval"), such Approval may, unless

otherwise expressly specified in such provision, be given or withheld in such party's sole, absolute and unreviewable discretion. Any Approval which by the terms of this Lease may not be unreasonably withheld shall also not be unreasonably delayed.

42.5 Action for Damages. In any suit or other claim brought by

either party seeking damages against the other party for breach of its obligations under this Lease, the party against whom such claim is made shall be liable to the other party only for actual damages and not for consequential, punitive or exemplary damages.

IN WITNESS WHEREOF, the parties have executed this Lease by their duly authorized representatives as of the date first above written.

```
LESSOR:
```

TWO CAMBRIDGE CENTER TRUST

```
By:
   -----
  Name:Mortimer B. Zuckerman
      -----
  Title: Trustee and Not Individually
     By:
   -----
  Name:Edward H. Linde
     -----
  Title:Trustee and Not Individually
     LESSEE:
ZL HOTEL LLC, a Delaware limited liability company
By:
 _____
Name:
  -----
Title:
  -----
```

```
73
```

OPTION AGREEMENT

THIS OPTION AGREEMENT (this "Agreement") is made this _____ day of June, 1997 by and between 17M Associates, a District of Columbia limited partnership, with an address at 500 E Street, S.W., Washington, D.C. 20024 ("Optionor") and Boston Properties Limited Partnership, a Delaware limited partnership, with an address at 8 Arlington Street, Boston, Massachusetts, 02116 ("Optionee").

WHEREAS, Boston Properties, Inc., a Delaware corporation and the general partner of Optionee, has proposed an initial public offering of its common stock (the "IPO");

WHEREAS, the owners of interests, directly and indirectly, in 17M-Boston Associates Limited Partnership, a Massachusetts limited partnership and the general partner of Optionor (the "General Partner"), will benefit from the IPO as the holders of units of limited partnership interest in Optionee and have consented to the granting of the Option (as defined below) granted hereby and acknowledged such benefit in instruments of even date herewith;

WHEREAS, Optionor is the owner of a certain real property, as more particularly described in EXHIBIT A attached hereto (together with any and all personal property, rights and easements now or hereafter related thereto, and subject to any rights of third parties therein now existing or hereafter arising in the ordinary course of the business of operating the property, collectively, the "Property");

WHEREAS, Optionor has incurred, and may continue to incur, indebtedness in connection with the acquisition, development and ownership of the Property (all outstanding indebtedness of Optionor as of the Option Exercise Date (as defined below), including accrued interest thereon and any prepayment penalties that may be incurred in connection with the exercise of the Option, is referred to herein as the "Debt"); and

WHEREAS, Optionor desires to grant to Optionee, and Optionee desires to obtain, an option to purchase the Property.

NOW, THEREFORE, for and in consideration of the sum of ten dollars (\$10.00) paid by Optionee to Optionor, and other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, Optionor and Optionee hereby agree as follows.

1. GRANT OF OPTION. Optionor hereby grants to Optionee an option (the "Option") to purchase the Property on the terms and conditions set forth herein. If requested by Optionee upon the exercise of the Option, Optionor shall use its reasonable best efforts, at the expense of Optionee, to restructure the transaction so that in lieu of purchasing the Property either (i) all direct and indirect interests in Optionor are acquired by Optionee and its affiliates, (ii) Optionor is merged with and into Optionee or an affiliate of Optionee, or (iii)

another transaction of similar economic effect to Optionor is engaged in (any of the foregoing, an "Alternative Transaction").

2. TERM AND EXERCISE OF OPTION. The Option may be exercised by Optionee giving written notice to Optionor at any time on or before the _____ anniversary of the closing date of the IPO (the "Option Termination Date"), which written notice shall state that Optionee desires to exercise the Option. If Optionee does not exercise the Option by the Option Termination Date, the Option shall be deemed terminated and shall be of no further force and effect, and Optionor and Optionee shall have no further obligations hereunder. The date upon which Optionee exercises the Option is referred to herein as the "OPTION EXERCISE DATE."

3. PURCHASE AND SALE AGREEMENT. Optionor and Optionee hereby agree that, promptly following the exercise of the Option, they shall in good faith negotiate and enter into a purchase and sale agreement (or, if an Alternative Transaction will be engaged in, an appropriate agreement or agreements with respect thereto), which agreement or agreements shall include customary representations and warranties and a due diligence period, each appropriate in both scope and substance, and appropriate limitations on the scope of liability of Optionor with respect to the property-specific representations and warranties included therein.

4. OPTION PRICE.

(a) If the Option is exercised and the agreement or agreements described in Paragraph 3 are consummated, then, at the closing of such transaction, Optionee shall pay, as the purchase price for the Property or in consideration of the closing of an Alternative Transaction (the "Option Price"), cash in an amount equal to:

- (i) one (\$1.00) dollar; PLUS
- (ii) to the extent not assumed by Optionee, the Debt; PLUS
- (iii) the total of all cash capital contributions made to Optionor by its partners after the closing date of the IPO; LESS
- (iv) the total value of all cash and property distributed by Optionor to its partners after the closing date of the IPO; PLUS
- (v) to reflect a return on net capital contributed after the IPO, interest on the positive difference between clauses (iii) and (iv) outstanding from time to time at the rate of [9.25]% per annum; PLUS
 - 2

- (vi) any expenses associated with negotiation of the agreement or agreements described in Paragraph 3 and the consummation of the transaction therein contemplated, which expenses in the aggregate shall not exceed fifty thousand (\$50,000) dollars; PLUS
- (vii) an amount equal to the transfer taxes to be incurred by the partners of Optionor or by the Optionor as a result of the transfer of the Property or the consummation of an Alternative Transaction.

Each of the items described above shall be determined as of the closing of the purchase of the Property or, if applicable, consummation of an Alternative Transaction. At Optionee's request, Optionor shall provide to Optionee, within a reasonable period of time following receipt of such request, an estimate of the Option Price if the Option were exercised and the purchase consummated as of the date of Optionor's response to such request, which estimate shall set forth each of the items described in clauses (i) -(vii) above.

(b) In addition to the Option Price, at the closing of the purchase or the Alternative Transaction, Optionee shall pay to each of the limited partners of Optionor as of the date hereof whose name is set forth on EXHIBIT B attached hereto or their successors in interest (other than persons who are Affiliates or Associates of the persons with an interest in the General Partner at such time) (each, a "Designated Limited Partner" and collectively, the "Designated Limited Partners"), or to Optionor with Optionor to cause such payments to be distributed appropriately to the Designated Limited Partners an amount equal to the excess, if any, of:

> (i) the amount that would have been distributed to each Designated Limited Partner under the Agreement of Limited Partnership of 17M Associates, as in effect on the date hereof and in accordance with each Designated Limited Partner's percentage interest as set forth on EXHIBIT B attached hereto, if the Property had been sold for Fair Market Value on the Option Exercise Date; OVER

> > 3

(ii) the amount that such Designated Limited Partner will receive upon the distribution of the Option Price by Optionor to its partners (or, in the case of an Alternative Transaction, the amount to be received by the Designated Limited Partner).

"FAIR MARKET VALUE" shall be the fair market value of the Property as of the Option Exercise Date as determined by Optionor and Optionee in good faith. "AFFILIATE" and "ASSOCIATE" shall have the respective meanings ascribed to such terms in Rule 12b-2 of the General Rules and Regulations under the Securities Exchange Act of 1934, as amended, as in effect on the date of this Agreement.

(c) The Option Price and any other payments due hereunder shall be paid to Optionor (or its partners, if appropriate) by federal funds wire transfer or certified check on the closing of the purchase of the Property.

5. AUTHORITY. Each party hereto represents and warrants that it has full right, authority and power (i) to enter into this Agreement and each agreement, document and instrument to be executed and delivered by or on behalf of it pursuant to this Agreement and (ii) to carry out the transactions contemplated hereby and thereby. Each party hereto has obtained all necessary consents, approvals and authorizations required with respect to (a) this Agreement and each agreement, document and instrument to be executed and delivered by or on behalf of it pursuant to this Agreement and instrument and instrument to be executed and delivered by or on behalf of it pursuant to this Agreement and (b) the transactions contemplated hereby and thereby.

6. ASSIGNMENT, ETC. Optionee shall not assign this Agreement without Optionor's written consent, which consent shall not be unreasonably withheld if such assignment is to an affiliate of Optionee. Optionor shall not assign this Agreement or sell, or agree or commit to sell, or remove from the premises of the Property, any of the Property (other than related personal property in the ordinary course of the business of operating the Property) without the prior written consent of Optionee.

7. MEMORANDUM OF OPTION. Optionor agrees to execute, acknowledge, and cause to be recorded in the appropriate recording office, promptly after the date hereof, a memorandum of option or other instrument which is in recordable form with the appropriate authorities in Washington, D.C. in a form reasonably satisfactory to Optionee to provide record notice of the existence of this Agreement.

8. BROKERAGE. Optionor and Optionee warrant to each other that neither has retained the services of any broker in connection with the transaction provided for in this Agreement, and each agrees to indemnify the other against any commission, as well as any costs, fees and expenses, including attorneys' fees, incurred by the other as a result of any claim for a commission, arising out of such party's own acts.

4

9. AMENDMENT. This Agreement may not be amended except by an instrument in writing signed by both Optionor and Optionee.

10. ENTIRE AGREEMENT. This Agreement sets forth the entire agreement between the parties hereto with respect to the subject matter hereof.

11. NOTICES. All notices and other communications hereunder shall be in writing and shall be deemed given and delivered three (3) days after posting when mailed, by registered or certified mail, return receipt requested, postage prepaid, or on the day of delivery if sent by hand or recognized overnight courier service, addressed to the parties as indicated above or at such other address of which one party shall notify the other party in accordance with the foregoing.

12. NO CREDITOR BENEFIT. None of the terms hereof shall be construed as being for the benefit of or enforceable by any creditor of Optionor or Optionee.

13. EFFECTIVENESS. This Agreement is conditioned and shall become effective only upon the completion of the IPO.

14. BINDING EFFECT. This Agreement shall be binding upon, and shall be enforceable by and inure to the benefit of, Optionor and Optionee and their respective successors and assigns.

15. TITLES. The titles of the paragraphs of this Agreement are included for convenience of reference only and shall have no effect on the construction or meaning of this Agreement.

16. SEVERABILITY. If any term or provision of this Agreement or the application thereof to any person, property or circumstance shall to any extent be invalid or unenforceable, the remainder of this Agreement or the application of such term or provision to persons, properties and circumstances other than those as to which it is invalid or unenforceable, shall not be affected thereby, and each term and provision of this Agreement shall be valid and enforceable to the fullest extent permitted by law.

17. GOVERNING LAW. This Agreement shall be governed by the laws of the Commonwealth of Massachusetts.

5

OPTIONOR:

17M ASSOCIATES

- By: 17M-Boston Associates Limited Partnership, its General Partner
 - By: 17M-Boston Associates, its General Partner
 - By: Name: Edward H. Linde Title: General Partner

OPTIONEE:

BOSTON PROPERTIES LIMITED PARTNERSHIP

Boston Properties, Inc., its General Partner By:

By:

Name: Edward H. Linde Title: President and Chief Executive Officer

CONSENT AND LOAN MODIFICATION AGREEMENT

THIS CONSENT AND LOAN MODIFICATION AGREEMENT ("Agreement") is dated as of the day of June, 1997 (the "Effective Date"), by and between THE SUMITOMO

BANK, LIMITED, a Japanese banking institution acting through its NEW YORK BRANCH ("Lender"), STUART S. LEVIN and GERALD R. PERRAS, either of whom may act ("Trustee"), SOUTHWEST MARKET LIMITED PARTNERSHIP, a District of Columbia limited partnership ("Borrower"), BOSTON PROPERTIES LIMITED PARTNERSHIP, a Delaware limited partnership (the "Operating Partnership"), and MORTIMER B. ZUCKERMAN and EDWARD H. LINDE (each an "Initial Guarantor" and jointly and severally the "Initial Guarantors").

RECITALS:

WHEREAS, Borrower and Lender are the parties to that certain Construction Loan Agreement, dated as of August 21, 1990, pursuant to which Lender, in periodic advances, advanced to Borrower the aggregate principal amount of Eighty Million and No/100 Dollars (\$80,000,000.00) (the "Loan"), as amended by that certain Loan Modification and Extension Agreement, made as of September 26, 1994, by and among Borrower, Lender, and Initial Guarantors (collectively, the "Loan Agreement"); and

WHEREAS, all advances made by Lender to Borrower pursuant to the Loan Agreement are evidenced by that certain \$80,000,000 Promissory Note made by Borrower to the order of Lender and dated as of August 21, 1990, as amended by that certain Allonge by and among Borrower and Lender dated as of September 26, 1994 (collectively, the "Note"); and

WHEREAS, the Note is secured by, among other things, (i) that certain Construction Loan Deed of Trust and Security Agreement dated as of August 18, 1990, and effective as of August 21, 1990, from Borrower, as trustor, to Trustee for the benefit of Lender, which was recorded as Instrument Number 46387 among the land records of the District of Columbia and encumbering certain real property located in the District of Columbia and more particularly described on Exhibit A attached hereto and by this reference made a part hereof (the

"Property"), as amended by that certain First Amendment to Construction Loan Deed of Trust and Security Agreement by and among Borrower, Lender and Trustee, made as of February 25, 1991, and effective as of August 21, 1990, which was recorded among the Land Records of the District of Columbia as Instrument Number 12123, as amended by that certain Second Amendment to Construction Loan Deed of Trust and Security Agreement by and among Borrower, Lender and Trustee, made as of September 9, 1994, and effective as of September 21, 1994, which was recorded among the Land Records of the District of Columbia as Instrument Number 76267, as amended by that certain Third Amendment to Construction Loan Deed of Trust and Security Agreement by and among Borrower, Lender and Trustee, made as of September 23, 1994, and effective as of September 26, 1994, which was recorded among the Land Records of the District of Columbia as Instrument Number 80519 (collectively, the "Deed of Trust"), and (ii) that certain Collateral Assignment of Leases. Rents, Profits and Income and Pledge of Accounts dated as of August 18, 1990, and effective as of August 21, 1990, by Borrower to Lender which was recorded among the Land Records of the District of Columbia as Instrument Number 46388, as amended by that certain First Amendment to Collateral Assignment of Leases, Rents, Profits and Income and Pledge of Accounts made as of February 22, 1991, and effective as of August 21, 1990, by and among Borrower and Lender, which was recorded among the Land Records of the District of Columbia as Instrument Number 12124, as amended by that certain Second Amendment to Collateral Assignment of Leases, Rents, Profits and Income and Pledge of Accounts made as of September 23, 1994, and effective as of September 26, 1994, by and among Borrower and Lender, which was recorded among the Land Records of the District of Columbia as Instrument Number 12124, us and effective as of September 26, 1994, by and among Borrower and Lender, which was recorded among the Land Records of the District of Columbia as Instrument Number 80518 (collectively, the "Assignment of Rents"); and

WHEREAS, in connection with the Loan the Initial Guarantors executed and delivered to Lender that certain Interest Guaranty and Indemnity dated August 21, 1990, as amended by that certain First Amendment to Interest Guaranty and Indemnity made as of September 26, 1994 by and among Lender and Initial Guarantors, as amended herein (collectively, the "Interest Guaranty"); and

WHEREAS, in connection with the Loan the Initial Guarantors executed and delivered to Lender that certain Environmental Guaranty dated August 21, 1990 (the "Environmental Guaranty" and, together with the Interest Guaranty, the "Initial Guarantees"); and

WHEREAS, Borrower is a District of Columbia limited partnership, and its sole general partner is Boston Southwest Associates Limited Partnership, a Massachusetts limited partnership ("BSALP"), and the general partner of BSALP is Independence Square, Inc., a Delaware corporation ("ISI"), and the shareholders of ISI are Mortimer B. Zuckerman and Edward H. Linde; and

WHEREAS, concurrently herewith, an initial public offering (the "IPO") of shares in Boston Properties, Inc., a Delaware corporation (the "REIT") is taking place in accordance with the S-11 registration statement as filed with the Securities and Exchange Commission as a "red herring" on May 27, 1997 and made effective prior to the date hereof by the Securities and Exchange Commission; and

 $\ensuremath{\mathsf{WHEREAS}}$, the REIT is the sole general partner of the Operating Partnership; and

WHEREAS, the REIT and the Operating Partnership collectively own 100% of the membership interests in Boston Properties LLC, a Delaware limited liability company ("BP LLC"); and

WHEREAS, the REIT, the Operating Partnership and BP LLC were formed to succeed to the real estate business of the Borrower and other companies founded by the Initial Guarantors; and

WHEREAS, concurrently herewith, the following partnership transfers are taking place: (i) a one percent (1%) general partnership interest in Borrower is being transferred to BP LLC, and (ii) the Operating Partnership is succeeding to (x) the remaining sixty-nine percent (69%) general partnership interest in Borrower which is being converted into a sixty-nine percent (69%) limited partnership interest in Borrower, and (y) the remaining thirty percent (30%) limited partnership interest in Borrower; and

WHEREAS, in connection with such partnership transfers the Operating Partnership has agreed to execute new guaranty agreements in accordance with the terms and conditions set forth below.

NOW, THEREFORE, in consideration of the premises contained herein and other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, Borrower, Lender, Initial Guarantors and Operating Partnership hereby agree as follows:

1. The foregoing recitals are incorporated into this Agreement for all purposes by this reference.

2. Notwithstanding anything to the contrary contained in the Loan Agreement, Deed of Trust, Assignment of Rents, Note, Initial Guarantees or any other instruments evidencing or securing the Loan (collectively, the "Loan Documents"), Lender hereby consents (i) to the transfer and assignment by BSALP of a one percent (1%) general partnership interest in Borrower to BP LLC, and (ii) to the Operating Partnership succeeding to a sixty-nine percent (69%) general partnership interest in Borrower which is simultaneously being converted into a sixty-nine percent (69%) limited partnership interest in Borrower, and (iii) to the Operating Partnership succeeding to the remaining thirty percent (30%) limited partnership interest in Borrower, and (iv) to BP LLC becoming the sole general partner of Borrower with a one percent (1%) partnership interest, and (v) to the Operating Partnership becoming the limited partner of Borrower with a ninety-nine percent (99%) partnership interest. Lender acknowledges and agrees that any and all conditions to such consent, whether contained in the Loan Documents, or otherwise, have been satisfied. 3. Notwithstanding the provisions of Section 7.22 of the Loan Agreement or Section 1.20 of the Deed of Trust, or anything else to the contrary contained in any of the Loan Documents, Lender hereby acknowledges and agrees, that without any notice to or consent by Lender, any person or entity may engage from time to time in transfers of stock, membership, partnership or other equity interests in BP LLC, the Operating Partnership, the REIT, or any of their respective direct or indirect owners; provided, however, that any such transfer does not result in the occurrence of any of the following: (i) the REIT ceases to be the sole general partner of the Operating Partnership or ceases to own at least a five percent (5%) interest in the Operating Partnership, (ii) the Operating Partnership ceases to be the sole managing member of BP LLC, a Delaware limited liability company, (iii) the Operating Partnership ceases to own a controlling interest (which, in any event, must not be less than a 51% ownership interest) in BP LLC, or (iv) BP LLC ceases to be the sole general partner of Borrower or ceases to own at least a one percent (1%) interest in Borrower.

4. From and after the Effective Date, all references contained in the Loan Documents to the general partner of Borrower shall be deemed to refer to BP LLC (and its permitted assigns) and not to BSALP OR ISI.

5. The Operating Partnership agrees to execute and deliver to Lender a new Interest Guaranty in the form attached hereto as Exhibit B (the "New

Interest Guaranty") and a new Environmental Guaranty in the form attached hereto as Exhibit C (the "New Environmental Guaranty"). From and after the

Effective Date, wherever the terms "Interest Guaranty," "Environmental Guaranty" and "Guarantors" are used in the Deed of Trust, Loan Agreement or any other Loan Documents, they shall be deemed to include, in addition to such original documents, the New Interest Guaranty, New Environmental Guaranty and Operating Partnership, respectively.

6. The Interest Guaranty is hereby amended to delete the following clause from Section 1.1:

", during any month in which (a) the Debt Service Coverage Ratio of the Premises is less than 1.05, or (b) any Person, through any agreement with, action of, or cooperation by any Guarantor, Borrower or any Affiliate of Borrower has obtained an interest in Rents payable pursuant to Government Leases (as those terms are defined in the Assignment of Rents) which then is or thereafter becomes (other than with Lender's express written consent) superior to Lender's interest in such Rents"

Further, the Interest Guaranty is hereby amended to add the following sentence at the end of Section 8 thereof:

"If either Guarantor fails to deliver such financial statement within 120 days next following the end of his fiscal year, such Guarantor agrees to pay to Lender, for himself but not for the other Guarantor, a fee in the amount of \$500.00 per day, commencing 30 days after written notice from Lender that such Guarantor failed to deliver to Lender such financial statement and continuing until such financial statement is delivered to Lender."

Except as set forth in Section 6 above and except as expressly modified 7. below, Initial Guarantors hereby absolutely, unconditionally and fully reaffirm all of their guarantees, obligations and agreements under the Initial Guarantees according to the terms thereof and agree to the provisions of this Agreement. The Initial Guarantees shall continue in full force and effect, however, subject to the last sentence of this paragraph, it is understood and agreed that (i) the breach or failure to perform any representation, warranty or covenant under any Loan Documents, other than the Initial Guarantees, by or about the Initial Guarantors, or (ii) the occurrence of any event to or with respect to the Initial Guarantors, shall not, by itself, constitute a breach, default or Event of Default under any Loan Document, other than the Initial Guarantees. By way of example and not as a limitation on the foregoing, from and after the Effective Date (a) the filing of claims, litigation or judgments against any of the Initial Guarantors, (b) the institution of any bankruptcy, reorganization or insolvency proceedings by or against any of the Initial Guarantors, or the appointment of a receiver or a similar official for any of the properties of any of the Initial Guarantors (or the occurrence of any other events with respect to the Initial Guarantors referenced in Section 2.01(k) of the Deed of Trust), and (c) the failure to comply with any requirements regarding the delivery of certificates, financial statements and other financial information, tax returns or any other documentation or information or notices relating to the Initial Guarantors, shall not constitute a breach, default or Event of Default under any Loan Document, other than the Initial Guarantees. The foregoing provisions of this Section 7 shall in no way limit; (x) the liability or obligations of the Initial Guarantors under the Interest Guaranty or the Environmental Guaranty, or (y) the right of Lender to enforce all remedies directly against any of the Initial Guarantors for failure to pay or perform the Obligations, or (z) the liability of the Operating Partnership under the New Interest Guaranty and New Environmental Guaranty.

8. Lender has previously approved the Management Agreement (the "Management Agreement") by and between Borrower and Boston Properties, Inc. a Massachusetts corporation (the "Manager"), dated as of May 1, 1991. Lender hereby consents to the assignment of Manager's interest in the Management Agreement to the Operating Partnership and the Operating Partnership's assumption of the same. Following such assignment, the Operating Partnership agrees (i) to attorn to Lender in the event that Lender takes possession or assumes control of the Property, and (ii) that if an Event of Default shall have occurred under the terms of the Management Agreement after the Event of Default shall have occurred shall be subordinate to the repayment of the Loan in accordance with the terms of the Loan Agreement and Sections 1.16 and 1.18 of the Deed of Trust) the engagement of the Operating Partnership to serve as the manager of the Property in accordance with the Management.

-5-

9. Lender hereby approves the form of the Amended and Restated Agreement of Limited Partnership of Borrower and the Certificate of Amendment of Limited Partnership delivered to Lender herewith and consents to the restatement of the partnership agreement for Borrower in accordance therewith.

10. Section 7.30(b) of the Loan Agreement is hereby amended by deleting the word "quarterly" and inserting, in lieu thereof, the word "monthly." Lender agrees that, provided there is no uncured Event of Default under any of the Loan Documents, Borrower may make daily or periodic "sweeps" of its operating accounts into a master operating account maintained by the REIT and/or the Operating Partnership.

11. The Operating Partnership covenants and agrees to provide Lender with copies of the (i) audited balance sheets and statements of income, changes in stockholders' equity, and cash flow for the REIT as of and for each fiscal year as set forth in the REIT's annual report of form 10-K, and (ii) unaudited balance sheets and statements of income, changes in stockholders' equity, and cash flow for the REIT as of and for each calendar quarter as set forth in the REIT's quarterly report on form 10-Q, and (iii) promptly upon their becoming available, copies of any registration statements and any amendments and supplements thereto, and any regular and periodic reports, if any, filed by the REIT with the Securities and Exchange Commission or any governmental authority succeeding to any or all of the functions of the said Commission.

12. Borrower warrants and represents to Lender that (a) the financial statements incorporated in the S-11 registration statement of the REIT as filed and made effective by the Securities and Exchange Commission heretofore delivered to Lender are true and correct in all material respects and from the date of such financial statements to the date hereof there has been no material adverse change in the financial condition of the Operating Partnership that would impair its ability to perform its obligations under this Agreement or the New Interest Guaranty or the New Environmental Guaranty, and (b) the IPO and the formation of the REIT, the Operating Partnership and BP LLC have been completed and the structure set forth in the recitals to this Agreement are true and correct.

13. The Operating Partnership hereby represents and warrants to Lender as follows: (i) the Operating Partnership is a limited partnership, duly organized, validly existing and in good standing under the laws of the State of Delaware; (ii) the Operating Partnership has the authority, rights and franchises to own its properties, to carry on its business as now conducted, to perform its obligations under this Agreement, and has made all filings in each jurisdiction in which the character of its business or nature of its properties makes such filings necessary and where not filing could have a material adverse impact on its business; (iii) the Operating Partnership has the authority and legal right to execute, deliver and perform this Agreement and has taken all necessary partnership action to authorize the execution, delivery and performance of this Agreement; (iv) no consent, license, permit, approval or authorization of, exemption by, notice or report to, or registration, filing or declaration with any court, governmental authority, or third party which has not been obtained is required for the execution, delivery and performance by the Operating Partnership of this Agreement; (v) this

-6-

Agreement has been executed and delivered by the Operating Partnership and constitutes (and on the Effective Date of this Agreement will constitute) the legal, valid and binding obligation of the Operating Partnership, enforceable against the Operating Partnership in accordance with its terms: and (vi) neither the execution not delivery of this Agreement nor the fulfillment of or compliance with the terms and provisions hereof, nor the consummation of the transactions contemplated hereby will conflict with or result in a breach of the terms, conditions or provisions of, or constitute a default under, or result in any violation of its partnership agreement, any other contract, any award of any arbitrator or any agreement, instrument, order or judgment or regulation or law to which the Operating Partnership is subject, or to or by which it or its properties or its assets are bound or affected.

14. The Borrower hereby represents and warrants to Lender as follows: (i) the Borrower is a limited partnership, duly organized, validly existing and in good standing under the laws of the District of Colombia; (ii) the Borrower has the authority, rights and franchises to own its properties, to carry on its business as now conducted, to perform its obligations under this Agreement, and has made all filings in each jurisdiction in which the character of its business or nature of its properties makes such filings necessary and where not filing could have a material adverse impact on its business; (iii) the Borrower has the authority and legal right to execute, deliver and perform this Agreement and has taken all necessary partnership action to authorize the execution, delivery and performance of this Agreement; (iv) no consent, license, permit, approval or authorization of, exemption by, notice or report to, or registration, filing or declaration with any court, governmental authority, or third party which has not been obtained is required for the execution, delivery and performance by the Borrower of this Agreement; (v) this Agreement has been executed and delivered by the Borrower and constitutes (and, on the Effective Date of this Agreement will constitute) the legal, valid and binding obligation of the Borrower, enforceable against the Borrower in accordance with its terms; and (vi) neither the execution nor delivery of this Agreement nor the fulfillment of or compliance with the terms and provisions hereof, nor the consummation of the transactions contemplated hereby will conflict with or result in a breach of the terms, conditions or provisions of, or constitute a default under, or result in any violation of its partnership agreement, any other contract, any award of any arbitrator or any agreement, instrument, order or judgment or regulation or law to which the Borrower is subject, or to or by which it or its properties or its assets are bound or affected.

15. Except as expressly modified above, the Loan Documents are hereby ratified and confirmed by Borrower and shall continue in full force and effect. Borrower and Initial Guarantors acknowledge and agree that as of the Effective Date there exist no offsets, defenses, counterclaims, or abatements to their respective obligations under the Loan Documents as modified herein, and, to the knowledge of Borrower and Initial Guarantors, all obligations of Lender thereunder have been fully performed.

16. Lender hereby represents and warrants as follows: (i) the outstanding principal balance of the Loan as of June 1, 1997 is \$78,125,000, (ii) to Lender's actual knowledge, the Loan is not in default, and (iii) it has received all necessary and appropriate authorizations to enter into and perform this Agreement.

-7-

17. Nothing contained herein shall constitute, or be deemed to constitute, any limitation on the validity or enforceability or priority of the Note, the Deed of Trust or any other Loan Documents as amended hereby nor shall this Agreement be deemed to create any interest different from that created by the Deed of Trust, which interest continues unimpaired and in full force and effect in accordance with the terms of the Deed of Trust. The parties hereto further acknowledge and agree that the "Limitation on Resource" provisions of the Loan Documents (Section 3.21 of the Deed of Trust, Section 9.21 of the Loan Agreement, Section 11 of the Note and Section 5.15 of the Assignment of Rents) shall continue in full force and effect.

18. Borrower agrees to pay all out-of-pocket expenses incurred by Lender in connection with the transaction set forth above, including reasonable legal fees and expenses.

19. This Agreement may be executed in counterparts, each of which shall be deemed an original, but all of which, taken together, shall constitute one and the same document. This Agreement shall be governed by and construed in accordance with the laws of the District of Columbia. As evidenced by its execution hereof, Lender authorizes and directs Trustee to join herein.

IN WITNESS WHEREOF, Southwest Market Limited Partnership has caused these presents to be signed in its partnership name by Boston Properties LLC, its general partner, which in turn has caused these presents to be signed in its partnership name by Boston Properties Limited Partnership, its managing member, which in turn has caused these presents to be signed in its partnership name by Boston Properties, Inc., its general partner, as of the day and year first above written, and for the purposes thereof, Boston Properties, Inc. has caused these presents to be signed in its corporate name by Edward H. Linde, its president,

-8-

attested by ______, its _____, and its corporate seal to be affixed hereto, and does hereby constitute and appoint Edward H. Linde as its true and lawful attorney-in-fact for it and in its name to acknowledge and deliver this instrument as the act and deed of such corporation and partnership.

ATTEST:	LENDER:
	THE SUMITOMO BANK, LIMITED, a Japanese banking institution acting through its NEW YORK BRANCH
	Ву:
	Name:
	Title:
[Signatures Conti	nued On Next Page]

-9-

SOUTHWEST MARKET LIMITED PARTNERSHIP, a District of Columbia limited partnership

- By: BOSTON PROPERTIES LLC, a Delaware limited liability company, its General Partner
 - By: BOSTON PROPERTIES LIMITED PARTNERSHIP, a Delaware limited partnership, its Managing Member
 - By: BOSTON PROPERTIES, INC., a Delaware corporation
 - By: /s/ Edward H. Linde Edward H. Linde President

[SIGNATURES CONTINUED ON NEXT PAGE]

-10-

- -----

- -----

OPERATING PARTNERSHIP:

BOSTON PROPERTIES LIMITED PARTNERSHIP, a Delaware limited partnership

By: BOSTON PROPERTIES, INC., a Delaware corporation

> By: /s/ Edward H. Linde Edward H. Linde President

TRUSTEE:

, sole acting trustee

INITIAL GUARANTORS:

Mortimer B. Zuckerman

/s/ Edward H. Linde Edward H. Linde

-11-

CONSENT AND LOAN MODIFICATION AGREEMENT

THIS CONSENT AND LOAN MODIFICATION AGREEMENT ("Agreement") is dated as of the day of June, 1997 (the "Effective Date"), by and between THE SUMITOMO

BANK, LIMITED, a Japanese banking institution acting through its NEW YORK BRANCH ("Lender"), STUART S. LEVIN and GERALD R. PERRAS, either of whom may act ("Trustee"), SOUTHWEST MARKET LIMITED PARTNERSHIP, a District of Columbia limited partnership ("Borrower"), BOSTON PROPERTIES LIMITED PARTNERSHIP, a Delaware limited partnership (the "Operating Partnership"), and MORTIMER B. ZUCKERMAN and EDWARD H. LINDE (each an "Initial Guarantor" and jointly and severally the "Initial Guarantors").

RECITALS:

WHEREAS, Borrower and Lender are the parties to that certain Construction Loan Agreement, dated as of February 22, 1991, pursuant to which Lender, in periodic advances, advanced to Borrower the aggregate principal amount of One Hundred Twenty-Five Million and No/100 Dollars (\$125,000,000.00) (the "Loan"), as amended by that certain Loan Modification and Extension Agreement, made as of September 26, 1994, by and among Borrower, Lender, and Initial Guarantors (collectively, the "Loan Agreement"); and

WHEREAS, all advances made by Lender to Borrower pursuant to the Loan Agreement are evidenced by that certain \$125,000,000 Promissory Note made by Borrower to the order of Lender and dated as of February 27, 1991, as amended by that certain Allonge by and among Borrower and Lender dated as of September 26, 1994 (collectively, the "Note"); and

WHEREAS, the Note is secured by, among other things, (i) that certain Construction Loan Deed of Trust and Security Agreement dated as of February 22, 1991, and effective as of February 27, 1991, from Borrower, as trustor, to Trustee for the benefit of Lender, which was recorded as Instrument Number 10516 among the land records of the District of Columbia and encumbering certain real property located in the District of Columbia and more particularly described on Exhibit A attached hereto and by this reference made a part hereof (the

"Property"), as amended by that certain First Amendment to Construction Loan Deed of Trust and Security Agreement by and among Borrower, Lender and Trustee, made as of September 9, 1994, and effective as of September 21, 1994, which was recorded among the Land Records of the District of Columbia as Instrument Number 76268, as amended by that certain Second Amendment to Construction Loan Deed of Trust and Security Agreement by and among Borrower, Lender and Trustee, made as of September 23, 1994, and effective as of September 26, 1994, which was recorded among the Land Records of the District of Columbia as Instrument Number 80521 (collectively, the "Deed of Trust"), and (ii) that certain Collateral Assignment of Leases, Rents, Profits and Income and Pledge of Accounts dated as of February 22, 1991, and effective as of February 27, 1991, by Borrower to Lender which was recorded among the Land Records of the District of Columbia as Instrument Number 10517, as amended by that certain First Amendment to Collateral Assignment of Leases, Rents, Profits and Income and Pledge of Accounts made as of September 23, 1994, and effective as of September 26, 1994, by and among Borrower and Lender, which was recorded among the Land Records of the District of Columbia as Instrument Number 80520 (collectively, the "Assignment of Rents"); and

WHEREAS, in connection with the Loan the Initial Guarantors executed and delivered to Lender that certain Interest Guaranty and Indemnity dated February 22, 1991, as amended by that certain First Amendment to Interest Guaranty and Indemnity made as of September 26, 1994 by and among Lender and Initial Guarantors, as amended herein (collectively, the "Interest Guaranty"); and

WHEREAS, in connection with the Loan the Initial Guarantors executed and delivered to Lender that certain Environmental Guaranty dated February 22, 1991 (the "Environmental Guaranty" and, together with the Interest Guaranty, the "Initial Guarantees"); and

WHEREAS, Borrower is a District of Columbia limited partnership, and its sole general partner is Boston Southwest Associates Limited Partnership, a Massachusetts limited partnership ("BSALP"), and the general partner of BSALP is Independence Square, Inc., a Delaware corporation ("ISI"), and the shareholders of ISI are Mortimer B. Zuckerman and Edward H. Linde; and

WHEREAS, concurrently herewith, an initial public offering (the "IPO") of shares in Boston Properties, Inc., a Delaware corporation (the "REIT") is taking place in accordance with the S-11 registration statement as filed with the Securities and Exchange Commission as a "red herring" on May 27, 1997 and made effective prior to the date hereof by the Securities and Exchange Commission; and

WHEREAS, the REIT is the sole general partner of the Operating Partnership; and

WHEREAS, the REIT and the Operating Partnership collectively own 100% of the membership interests in Boston Properties LLC, a Delaware limited liability company ("BP LLC"); and

WHEREAS, the REIT, the Operating Partnership and BP LLC were formed to succeed to the real estate business of the Borrower and other companies founded by the Initial Guarantors; and

-2-

WHEREAS, concurrently herewith, the following partnership transfers are taking place: (i) a one percent (1%) general partnership interest in Borrower is being transferred to BP LLC, and (ii) the Operating Partnership is succeeding to (x) the remaining sixty-nine percent (69%) general partnership interest in Borrower which is being converted into a sixty-nine percent (69%) limited partnership interest in Borrower, and (y) the remaining thirty percent (30%) limited partnership interest in Borrower; and

WHEREAS, in connection with such partnership transfers the Operating Partnership has agreed to execute new guaranty agreements in accordance with the terms and conditions set forth below.

NOW, THEREFORE, in consideration of the premises contained herein and other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, Borrower, Lender, Initial Guarantors and Operating Partnership hereby agree as follows:

1. The foregoing recitals are incorporated into this Agreement for all purposes by this reference.

2. Notwithstanding anything to the contrary contained in the Loan Agreement, Deed of Trust, Assignment of Rents, Note, Initial Guarantees or any other instruments evidencing or securing the Loan (collectively, the "Loan Documents"), Lender hereby consents (i) to the transfer and assignment by BSALP of a one percent (1%) general partnership interest in Borrower to BP LLC, and (ii) to the Operating Partnership succeeding to a sixty-nine percent (69%) general partnership interest in Borrower which is simultaneously being converted into a sixty-nine percent (69%) limited partnership interest in Borrower, and (iii) to the Operating Partnership succeeding to the remaining thirty percent (30%) limited partnership interest in Borrower, and (iv) to BP LLC becoming the sole general partner of Borrower with a one percent (1%) partnership interest, and (v) to the Operating Partnership becoming the limited partner of Borrower with a ninety-nine percent (99%) partnership interest. Lender acknowledges and agrees that any and all conditions to such consent, whether contained in the Loan Documents, or otherwise, have been satisfied.

3. Notwithstanding the provisions of Section 7.22 of the Loan Agreement or Section 1.20 of the Deed of Trust, or anything else to the contrary contained in any of the Loan Documents, Lender hereby acknowledges and agrees, that without any notice to or consent by Lender, any person or entity may engage from time to time in transfers of stock, membership, partnership or other equity interests in BP LLC, the Operating Partnership, the REIT, or any of their respective direct or indirect owners; provided, however, that any such transfer does not result in the occurrence of any of the following: (i) the REIT ceases to be the sole general partner of the Operating Partnership or ceases to own at least a five percent (5%) interest in the Operating Partnership, (ii) the Operating Partnership ceases to be the sole managing member of BP LLC, a Delaware limited liability company, (iii) the Operating Partnership ceases to own a controlling interest (which, in any event, must not be less than a

-3-

51% ownership interest) in BP LLC, or (iv) BP LLC ceases to be the sole general partner of Borrower or ceases to own at least a one percent (1%) interest in Borrower.

4. From and after the Effective Date, all references contained in the Loan Documents to the general partner of Borrower shall be deemed to refer to BP LLC (and its permitted assigns) and not to BSALP or ISI.

5. The Operating Partnership agrees to execute and deliver to Lender a new Interest Guaranty in the form attached hereto as Exhibit B (the "New Interest

Guaranty") and a new Environmental Guaranty in the form attached hereto as Exhibit C (the "New Environmental Guaranty"). From and after the Effective

Date, wherever the terms "Interest Guaranty," "Environmental Guaranty" and "Guarantors" are used in the Deed of Trust. Loan Agreement or any other Loan Documents, they shall be deemed to include, in addition to such original documents, the New Interest Guaranty, New Environmental Guaranty and Operating Partnership, respectively.

6. The Interest Guaranty is hereby amended to delete Section 1 in its entirety and to substitute the following provisions in lieu thereof:

"Section 1. Guarantee and Indemnity.

Section 1.1. Each of the Guarantors, jointly and severally, hereby absolutely and unconditionally guarantees to Lender and its successors, assigns and endorsees the payment to Lender or such successors, assigns and endorsees, following the occurrence of an Event of Default (as defined in the Loan Agreement) under either or both of the Note and the Loan Agreement or following an acceleration of the Loan pursuant to either or both of the Note or the Loan Agreement ("Acceleration"), of interest on the Loan that accrues pursuant to the Note, and that is not paid by Borrower when due and payable under the Note, whether such interest accrued or accrues before or after such an Event of Default; provided, however, that under the terms of this Interest Guaranty Guarantors shall not be liable for (and same shall not constitute any part of the "Obligations" as hereinafter defined) (i) payment of the principal portion of the indebtedness evidenced by the Note (except as in Section 1.3 hereof) or (ii) any interest due under the Note that accrues or has accrued from and after the date that the Premises has been sold at a foreclosure sale or a deed in lieu of foreclosure has been accepted by Lender or its nominee (the "Cut-off Date").

-4-

Section 1.2. Each of the Guarantors, jointly and severally, hereby indemnifies, protects, defends and holds Lender and its successors, assigns and endorsees harmless from and against all liability for all refunds of base rent, additional rent or taxes received by Borrower and owing to the GSA under Paragraphs 22 and 23 of the Solicitation for Offers of the GSA Building Lease, including refunds due to any adjustment to the base rates for additional rents set forth in such sections arising as a result of a government audit of such numbers, in respect of any period prior to (but not after) the Cut-off Date.

Section 1.3. With respect to the transfer of partnership interests in Borrower referenced in Section 2 of the Consent and Loan Modification Agreement by and between Guarantors, Borrower, Lender, Boston Properties Limited Partnership, and trustees for the Lender (the "Transfer"), counsel for the Borrower has notified the General Services Administration ("GSA") by letter dated May 29, 1997, of the Transfer and has requested the GSA to execute a novation agreement with respect to the lease of the Property for NASA dated June 1, 1990, as amended (the "Lease") reflecting the Transfer to the extent one is required. Each of the Guarantors, jointly and severally, hereby absolutely and unconditionally guarantees to Lender and its successors, assigns and endorsees the payment to Lender or such successors, assigns and endorsees, of the unpaid principal portion of the indebtedness evidenced by the Note if (i) the Lease is terminated in connection with the Transfer, or (ii) Borrower agrees, in connection with obtaining a novation agreement or a written acknowledgment from the GSA that such a novation agreement is not required, to amend or modify the Lease without Lender's consent as provided in Section 1.12(c)(vii) of the Deed of Trust. The guaranty of the Guarantors under this Section 1.3 shall terminate and be null and void upon the receipt of a novation agreement reflecting the Transfer or a written acknowledgment from the GSA that such a novation agreement is not required, in either case without the Borrower having agreed, in connection with obtaining such novation agreement or such written acknowledgment from the GSA that such a novation agreement is not required, to amend or modify the Lease without Lender's consent as provided in Section 1.12(c)(vii) of the Deed of Trust.

-5-

(The obligations of Guarantors to pay interest not paid by Borrower when due and payable under the Note for the period prior to the Cutoff date, Guarantors' indemnities, and Guarantors' guaranty under Section 1.3, all as set forth above, are hereinafter, collectively called the "Obligations")."

Further, the Interest Guaranty is hereby amended to add the following sentence at the end of Section 8 thereof:

"If either Guarantor fails to deliver such financial statement within 120 days next following the end of his fiscal year, such Guarantor agrees to pay to lender, for himself but not for the other Guarantor, a fee in the amount of \$500.00 per day, commencing 30 days after written notice from Lender that such Guarantor failed to deliver to lender such financial statement and continuing until such financial statement is delivered to Lender."

7. Except as set forth in Section 6 above and except as expressly modified below, Initial Guarantors hereby absolutely, unconditionally and fully reaffirm all of their guarantees, obligations and agreements under the Initial Guarantees according to the terms thereof and agree to the provisions of this Agreement. The Initial Guaranties shall continue in full force and effect, however, subject to the last sentence of this paragraph, it is understood and agreed that (i) the breach or failure to perform any representation, warranty or covenant under any Loan Documents, other than the Initial Guarantees, by or about the Initial Guarantors, or (ii) the occurrence of any event to or with respect to the Initial Guarantors, shall not, by itself, constitute a breach, default or Event of Default under any Loan Document, other than the Initial Guarantees. By way of example and not as a limitation on the foregoing, from and after the Effective Date (a) the filing of claims, litigation or judgments against any of the Initial Guarantors, (b) the institution of any bankruptcy, reorganization or insolvency proceedings by or against any of the Initial Guarantors, or the appointment of a receiver or a similar official for any of the properties of any of the Initial Guarantors (or the occurrence of any other events with respect to the Initial Guarantors referenced in Section 2.01(k) of the Deed of Trust), and (c) the failure to comply with any requirements regarding the delivery of certificates, financial statements and other financial information, tax returns or any other documentation or information or notices relating to the Initial Guarantors, shall not constitute a breach, default or Event of Default under any Loan Document, other than the Initial Guarantees. The foregoing provisions of this Section 7 shall in no way limit: (x) the liability or obligations of the Initial Guarantors under the Interest Guaranty or the Environmental Guaranty, or (y) the right of Lender to enforce all remedies directly against any of the Initial Guarantors, for failure to pay or perform the Obligations, or (z) the liability of the Operating Partnership under the New Interest Guaranty and New Environmental Guaranty.

-6-

8. Lender has previously approved the Management Agreement (the "Management Agreement") by and between Borrower and Boston Properties, Inc., a Massachusetts corporation (the "Manager"), dated as of May 1, 1992. Lender hereby consents to the assignment of Manager's interest in the Management Agreement to the Operation Partnership and the Operating Partnership's assumption of the same. Following such assignment, the Operation Partnership agrees (i) to attorn to Lender in the event that Lender takes possession or assumes control of the Property, and (ii) that if an Event of Default shall have occurred under the terms of the Loan Agreement Agreement after the Event of Default shall have occurred shall be subordinate to the repayment of the Loan in accordance with the terms of the Loan Agreement and Sections 1.16 and 1.18 of the Deed of Trust) the engagement of the Operating Partnership to serve as the manager of the Property in accordance with the Management Agreement.

9. Lender hereby approves the form of the Amended and Restated Agreement of Limited Partnership of Borrower and the Certificate of Amendment of Limited Partnership delivered to Lender herewith and consents to the restatement of the partnership agreement for Borrower in accordance therewith.

10. Section 7.30(c) of the Loan Agreement is hereby amended by deleting the word "quarterly" and inserting, in lieu thereof, the word "monthly." Lender agrees that, provided there is no uncured Event of Default under any of the Loan Documents, Borrower may make daily or periodic "sweeps" of its operating accounts into a master operating account maintained by the REIT and/or the Operating Partnership.

11. The Operating Partnership covenants and agrees to provide Lender with copies of the (i) audited balance sheets and statements of income, changes in stockholders' equity, and cash flow for the REIT as of and for each fiscal year as set forth in the REIT's annual report on form 10-K, and (ii) unaudited balance sheets and statements of income, changes in stockholders' equity, and cash flow for the REIT as of and for each calendar quarter as set forth in the REIT's quarterly report on form 10-Q, and (iii) promptly upon their becoming available, copies of any registration statements and any amendments and supplements thereto, and any regular and periodic reports, if any, filed by the REIT with the Securities and Exchange Commission or any governmental authority succeeding to any or all of the functions of the said Commission.

12. Borrower warrants and represents to Lender that (a) the financial statements incorporated in the S-11 registration statement of the REIT as filed and made effective by the Securities and Exchange Commission heretofore delivered to Lender are true and correct in all material respects and from the date of such financial statements to the date hereof there has been no material adverse change in the financial condition of the Operating Partnership that would impair its ability to perform its obligations under this Agreement or the New Interest Guaranty or the New Environmental Guaranty, and (b) the IPO and the formation of the

-7-

REIT, the Operating Partnership and BP LLC have been completed and the structure set forth in the recitals to this Agreement are true and correct.

The Operating Partnership hereby represents and warrants to Lender 13. as follows: (i) the Operating Partnership is a limited partnership, duly organized, validly existing and in good standing under the laws of the State of Delaware; (ii) the Operating Partnership has the authority, rights and franchises to own its properties, to carry on its business as now conducted, to perform its obligations under this Agreement, and has made all filings in each jurisdiction in which the character of its business or nature of its properties makes such filings necessary and where not filing could have a material adverse impact on its business; (iii) the Operating Partnership has the authority and legal right to execute, deliver and perform this Agreement and has taken all necessary partnership action to authorize the execution, delivery and performance of this Agreement; (iv) no consent, license, permit, approval or authorization of, exemption by, notice or report to, or registration, filing or declaration with any court, governmental authority, or third party which has not been obtained is required for the execution, delivery and performance by the Operating Partnership of this Agreement; (v) this Agreement has been executed and delivered by the Operating Partnership and constitutes (and, on the Effective Date of this Agreement will constitute) the legal, valid and binding obligation of the Operating Partnership, enforceable against the Operating Partnership in accordance with its terms; and (vi) neither the execution nor delivery of this Agreement nor the fulfillment of or compliance with the terms and provisions hereof, nor the consummation of the transactions contemplated hereby will conflict with or result in a breach of the terms, conditions or provisions of, or constitute a default under, or result in any violation of its partnership agreement, any other contract, any award of any arbitrator or any agreement, instrument, order or judgment or regulation or law to which the Operating Partnership is subject, or to or by which it or its properties or its assets are bound or affected.

The Borrower hereby represents and warrants to Lender as follows: 14. (i) the Borrower is a limited partnership, duly organized, validly existing and in good standing under the laws of the District of Columbia; (ii) the Borrower has the authority, rights and franchises to own its properties, to carry on its business as now conducted, to perform its obligations under this Agreement, and has made all filings in each jurisdiction in which the character of its business or nature of its properties makes such filings necessary and where not filing could have a material adverse impact on its business; (iii) the Borrower has the authority and legal right to execute, deliver and perform this Agreement and has taken all necessary partnership action to authorize the execution, delivery and performance of this Agreement; (iv) no consent, license, permit, approval or authorization of, exemption by, notice or report to, or registration, filing or declaration with any court, governmental authority, or third party which has not been obtained is required for the execution, delivery and performance by the Borrower of this Agreement; (v) this Agreement has been executed and delivered by the Borrower and constitutes (and, on the Effective Date of this Agreement will constitute) the legal, valid and binding obligation of the Borrower, enforceable against the Borrower in accordance with its terms; and (vi) neither the execution nor delivery of this Agreement nor the fulfillment of or compliance with the terms and provisions hereof, nor the consummation of the transactions contemplated hereby will conflict with or result in a breach of the terms, conditions or

-8-

provisions of, or constitute a default under, or result in any violation of its partnership agreement, any other contract, any award of any arbitrator or any agreement, instrument, order or judgment or regulation or law to which the Borrower is subject, or to or by which it or its properties or its assets are bound or affected.

15. Except as expressly modified above, the Loan Documents are hereby ratified and confirmed by Borrower and shall continue in full force and effect. Borrower and Initial Guarantors acknowledge and agree that as of the Effective Date there exist no offsets, defenses, counterclaims or abatements to their respective obligations under the Loan Documents as modified herein, and, to the knowledge of Borrower and Initial Guarantors, all obligations of Lender thereunder have been fully performed.

16. Lender hereby represents and warrants as follows: (i) the outstanding principal balance of the Loan as of June 1, 1997 is \$122,187,500, (ii) to Lender's actual knowledge, the Loan is not in default, and (iii) it has received all necessary and appropriate authorizations to enter into and perform this Agreement.

17. Nothing contained herein shall constitute, or be deemed to constitute, any limitation on the validity or enforceability or priority of the Note, the Deed of Trust or any other Loan Documents as amended hereby nor shall this Agreement be deemed to create any interest different from that created by the Deed of Trust, which interest continues unimpaired and in full force and effect in accordance with the terms of the Deed of Trust. The parties hereto further acknowledge and agree that the "Limitation on Recourse" provisions of the Loan Documents (Section 3.21 of the Deed of Trust, Section 9.21 of the Loan Agreement, Section 11 of the Note and Section 5.15 of the Assignment of Rents) shall continue in full force and effect.

18. Borrower agrees to pay all out-of-pocket expenses incurred by Lender in connection with the transaction set forth above, including reasonable legal fees and expenses.

19. This Agreement may be executed in counterparts, each of which shall be deemed an original, but all of which, taken together, shall constitute one and the same document. This Agreement shall be governed by and construed in accordance with the laws of the District of Columbia. As evidenced by its execution hereof, Lender authorizes and directs Trustee to join herein.

IN WITNESS WHEREOF, Southwest Market Limited Partnership has caused these presents to be signed in its partnership name by Boston Properties LLC, its general partner, which in turn has caused these presents to be signed in its partnership name by Boston Properties Limited Partnership, its managing member, which in turn has caused these presents to be signed in its partnership name by Boston Properties, Inc., its general partner, as of the day and year first above written, and for the purposes thereof, Boston Properties, Inc. has caused these presents to be signed in its corporate name by Edward H. Linde, its president,

-9-

attested by ______, its ______, and its corporate seal to be affixed hereto, and does hereby constitute and appoint Edward H. Linde as its true and lawful attorney-in-fact for it and in its name to acknowledge and deliver this instrument as the act and deed of such corporation and partnership.

LENDER:

ATTEST:

THE SUMITOMO BANK, LIMITED, a Japanese banking institution acting through its NEW YORK BRANCH

By:	
Name:	
Title:	

[SIGNATURES CONTINUED ON NEXT PAGE]

- -----

BORROWER:

SOUTHWEST MARKET LIMITED PARTNERSHIP, a District of Columbia limited partnership

By: BOSTON PROPERTIES LLC. a Delaware limited liability company, its General Partner

> By: BOSTON PROPERTIES LIMITED PARTNERSHIP a Delaware limited partnership its Managing Member

> > By: BOSTON PROPERTIES INC., a Delaware corporation

> > > By: (SIGNATURE APPEARS HERE)

Edward H. Linde President

[Signatures Continued On Next Page]

-11-

- -----

OPERATING PARTNERSHIP:

BOSTON PROPERTIES LIMITED PARTNERSHIP, a Delaware limited partnership

By: BOSTON PROPERTIES, INC., a Delaware corporation

By:

. Edward H. Linde President

TRUSTEE:

, sole acting trustee

INITIAL GUARANTORS:

[Signature appears here] Mortimer B. Zuckerman

Edward H. Linde

-12-

BOSTON PROPERTIES, INC.

MEMORANDUM

PERSONAL & CONFIDENTIAL

- TO: Robert Selsam
- FROM: Ed Linde
- DATE: August 10, 1995
- CC: David Gaw

- -----

This is to confirm our discussion of yesterday regarding additional compensation to be paid to you out of the fees Boston Properties will earn from developing 90 Church Street on behalf of the U.S. Postal Service. Any and all of the payments are contingent upon your continued employment at Boston Properties and should you leave for any reason, you will no longer be entitled to the payments outlined below except to the extent that they have already been paid to you in cash on or before the date that your employment at Boston Properties ends. Our agreement is as follows:

- 1. You will be paid one-third of any "leasing commissions" actually paid to Boston Properties in connection with the leasing of space at 90 Church Street. This includes the \$100,000 leasing commission paid to Boston Properties in connection with the recently concluded Legal Aid Society lease. Therefore, by copy of this memo, I am asking David Gaw to arrange for a \$33,333 check to be issued to you.
- You will receive two payments of \$35,000 each, the first to be paid on or about August 1, 1996 and the second, one year later.
- 3. You will be paid 5% of the management fees earned by Boston Properties commencing August 1, 1995. Your 5% portion will be paid to you on a semi-annual basis in arrears -- in other words, each six months you will receive 5% of the management fees earned by Boston Properties at 90 Church Street during the immediately preceding six-month period.

Please let me know if this does not accurately reflect our conversation and agreement. It is also intended to reflect the superb job you have done in managing or relationship with the United States Postal Service in New York and in securing a very important piece of business for Boston Properties at a time when imaginative ways to put our resources to work are at a premium.

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

June 16, 1997

April 11, 1997

Boston Properties, Inc. 8 Arlington Street Boston, MA 02116

Attn: Mr. David R. Barrett, Senior Vice President

Gentlemen:

In connection with the initial public offering of common stock by Boston Properties, Inc., we hereby consent to the use of our name in the Registration Statement on Form S-11 to be filed with the Securities and Exchange Commission, per the pages attached.

Very truly yours,

INSIGNIA/EDWARD S. GORDON CO., INC.

/s/ Stacy L. Wallach

Stacy L. Wallach

[LOGO OF AN INSIGNIA FINANCIAL GROUP COMPANY APPEARS HERE]

EXHIBIT 23.4

April 14, 1997

Boston Properties, Inc. 8 Arlington Street Boston, Massachusetts 02116

Attn: David R. Barrett, Senior Vice President

Gentlemen:

In connection with the initial public offering of common stock by Boston Properties, Inc., we hereby consent to the use of our name in the Registration statement on Form S-11 to be filed with the Securities and Exchange Commission.

Very truly yours,

THE MICHAEL COMPANIES, INC.

By: /s/ Gary W. Michael Gary W. Michael President

[LOGO OF NEW AMERICAN NETWORK APPEARS HERE]

[LETTERHEAD OF CB COMMERCIAL APPEARS HERE]

April 14, 1997

Exhibit 23.5

Mr. David R. Barrett Senior Vice President BOSTON PROPERTIES, INC. 8 Arlington Street Boston, MA 02116

Dear Mr. Barrett:

In connection with the initial public offering of common stock by Boston Properties, Inc., we hereby consent to the use of our name in the Registration Statement on Form S-11 to be filed with the Securities and Exchange Commission.

Sincerely,

CB COMMERCIAL REAL ESTATE GROUP, INC.

/s/Christopher R. Jacobs

Christopher R. Jacobs First Vice President

JHR:hh 0497018M

[LETTERHEAD OF THE FLYNN COMPANY APPEARS HERE]

April 11, 1997

Boston Properties, Inc. 8 Arlington Street Boston, Massachusetts 02116

Attention: David R. Barrett, Senior Vice President

Dear Mr. Barrett:

In connection with the initial public offering of common stock by Boston Properties, Inc., we hereby consent to the use of our name in the Registration Statement on Form S-11 to be filed with the Securities and Exchange Commission.

Very truly yours,

/s/ Kevin D. Flynn Kevin D. Flynn

KDF/lak

[LETTERHEAD OF PINNACLE ADVISORY GROUP APPEARS HERE]

April 11, 1997

Boston Properties, Inc. 8 Arlington Street Boston, Massachusetts 02116 Attention: Mr. David R. Barrett Senior Vice President

Gentlemen:

In connection with the initial public offering of common stock by Boston Properties, Inc., we hereby consent to the use of our name in the Registration Statement on Form S-11 to be filed with the Securities and Exchange Commission.

Very truly yours,

Pinnacle Advisory Group

By: /s/ Rachel J. Roginstey Rachel J. Roginstey Principal