

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-K

(Mark One)

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

OR

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

FOR THE FISCAL YEAR ENDED December 31, 1995 COMMISSION FILE NO. 1-6622

WASHINGTON REAL ESTATE INVESTMENT TRUST

(Exact name of registrant as specified in its charter)

DISTRICT OF COLUMBIA

53-0261100

(State or other jurisdiction of incorporation or organization) (IRS Employer Identification Number)

10400 CONNECTICUT AVENUE, KENSINGTON, MARYLAND 20895

(Address of principal executive office) (Zip code)

Registrant's telephone number, including area code (301) 929-5900

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

Title of Each Class	Name of exchange on which registered
Shares of Beneficial Interest (No Par Value)	American Stock Exchange

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

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

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein, and will not be contained, to the best of the Registrant's knowledge in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K. X

As of March 15, 1996, 31,751,734 Shares of Beneficial Interest were outstanding and the aggregate market value of such shares held by non-affiliates of the registrant was approximately \$500,339,936 (based on the closing price of the stock on March 15, 1996).

DOCUMENTS INCORPORATED BY REFERENCE

Part III of this Form 10-K is incorporated by reference from the Trust's 1996 Notice of Annual Meeting and Proxy Statement.

WASHINGTON REAL ESTATE INVESTMENT TRUST

1995 FORM 10-K ANNUAL REPORT

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PART I

ITEM 1. BUSINESS

Washington Real Estate Investment Trust (WRIT or the Trust) is a self-administered qualified equity real estate investment trust. The Trust's business consists of the ownership of income-producing real estate properties principally in the Greater Washington-Baltimore Region. The Trust has a fundamental strategy of regional focus, diversified property type ownership and conservative financial management.

WRIT has elected to qualify as a real estate investment trust under the Internal Revenue Code. Accordingly, WRIT is relieved of federal income taxes provided that capital gains and at least 95% of its ordinary income are distributed to shareholders in the form of dividends. Over the last five years dividends paid per share have been \$.99 for 1995, \$.92 for 1994, \$.89 for 1993, \$.84 for 1992 and \$.79 for 1991. The indicated annualized dividend rate for 1996, based upon the March 29, 1996 dividend, is \$1.00.

The Trust has purchased real estate primarily in the Greater Washington-Baltimore Region because of management's familiarity with the region, its expected growth and proven stability. The CMSA (Consolidated Metropolitan Statistical Area) which includes the Greater Washington-Baltimore region is the nation's fourth largest with a population exceeding 6.9 million. The region is ranked #1 in the U.S. in median household income and percentage of population with education at the undergraduate and postgraduate level.

Total non-farm employment in the Washington area has grown 88% from 1.6 million jobs in 1970 to 3.1 million jobs in 1995, while the percentage of Federal Government employment in the region has decreased from 38.3% to 15.6%. Since January 1980, seasonally-adjusted unemployment in the Washington area has averaged 4.1% with December 1995 unemployment standing at 3.6%.

The Greater Washington-Baltimore region is a leader in the rapidly growing technology/infocomm and biotech/health care industries. It is the center of the U.S. Space Commerce/Satellite Industry with Comsat, GTE Spacenet, Intelsat and NASA all located here. The region has the nation's second highest concentration of technology companies and the third highest concentration of Biotech companies.

This region is also the headquarters for several of the largest U.S. and international financial institutions including the World Bank, International Monetary Fund, Inter-American Development Bank, Export-Import Bank, Federal National Mortgage Association (Fannie Mae), Federal Home Loan Mortgage Corp (Freddie Mac) and the Student Loan Marketing Association (Sallie Mae).

Federal spending cuts nationally have caused Federal contractors to move closer to their clients in order to retain business. As a result, while Federal spending decreases nationally, it becomes more concentrated and grows in the Washington area. Total Federal procurement (outsourcing) decreased 5% nationally from 1991 to 1994, but has increased in the Washington area by over 23%. Despite a decrease of 1.7% in national procurement in 1994, Washington area procurement grew 11%. In 1995, Washington area Federal procurement grew at 9.2%, about double the national rate. U.S. Department of Defense procurement, while shrinking nearly 10% nationally, grew 22% from 1991-1994 in the Washington area.

The Trust currently owns a diversified portfolio consisting of twelve shopping centers, fourteen office buildings, five high-rise apartment buildings and ten industrial distribution centers. WRIT's principal objective is to invest in high quality real estate in prime locations and to monitor closely the management of these properties, including active leasing and ongoing capital improvement programs. The percentage of total real estate rental revenue by property group for 1995, 1994 and 1993 and the percent leased as of December 31, 1995 were as follows:

ITEM 1. BUSINESS, (continued)

<TABLE>  
<CAPTION>

Percent Leased December 31, 1995		Real Estate Rental Revenue		
		1995	1994	1993
89%*	Office buildings	41%	39%	34%
93%	Apartment buildings	22%	25%	27%
94%	Shopping centers	26%	26%	29%
96%	Industrial distribution	11%	10%	10%
		100%	100%	100%

</TABLE>

\*1901 Pennsylvania Avenue underwent a major renovation in 1995. See discussion on page 9 regarding office building occupancy levels.

On a combined basis, WRIT's portfolio was 93% occupied in 1995 and 95% in 1994 and 1993.

Total revenue was \$52,597,497 for 1995, \$45,511,482 for 1994 and \$39,375,282 for 1993. In 1993 through 1995 there were acquisitions of seven office buildings, two shopping centers and three industrial distribution centers. These acquisitions were the primary reason for the shifting of each group's percentage of total revenue. No single tenant accounted for more than 2.05% of 1995 revenue, 2.25% of 1994 or 2.5% of 1993. Various agencies of the U.S. Government are counted separately and include the Department of Commerce, Immigration and Naturalization Service, U.S. Postal Service, Social Security Administration and U.S. Patent Office. All federal government tenants in the aggregate accounted for less than 4.25% of WRIT's 1995 total revenue. The larger non-federal government tenants include Sprint Communications, T.J. Maxx, District of Columbia Metropolitan Police Department, Pepsi Cola, Giant Food, Crestar Bank, Evans, CVS, Rite-Aid, George Washington University, Montgomery County, Maryland and the State of Maryland.

As of December 31, 1995, no single property accounted for more than 10% of total assets or more than 10% of total revenues.

The actual day-to-day property management functions at the properties owned by the Trust are carried out by an independent management company. WRIT closely monitors the activities of this company to assure the highest quality of service and cost effectiveness. No WRIT Trustee or officer is a director or officer of, or owns any interest in the management company.

The Trust expects to continue investing in additional income producing property. Philosophically, WRIT management invests only in properties which it believes will continue to increase in income and value. WRIT's properties compete for tenants with other properties throughout the respective areas in which they are located. All properties compete for tenants on the basis of location, quality and rent charged.

Historically WRIT has acquired 100% ownership in property. However, in 1995 WRIT formed a subsidiary partnership in which WRIT currently owns substantially all of the partnership interest. As of December 31, 1995, the WRIT partnership has acquired two properties for cash contributed by WRIT.

WRIT intends to use the WRIT partnership to offer property owners an opportunity to contribute properties in exchange for WRIT limited partnership units. Such a transaction will enable property owners to diversify their holdings and to obtain a tax deferred contribution for WRIT limited partnership units rather than make a taxable cash sale. To date, no such transactions have occurred. The terms of the partnership agreement provide that the partnership's limited partnership units are entitled to distributions substantially equivalent to the distributions on WRIT shares. A holder of limited partnership units in the WRIT partnership will be entitled to demand that the partnership redeem the holder's units upon 10 business days notice. Upon such demand, WRIT, at its option, may redeem such units for cash or WRIT shares.

## ITEM 1. BUSINESS, (continued)

WRIT believes that the WRIT partnership will provide WRIT an opportunity to acquire real estate assets which might not otherwise have been offered to it.

WRIT makes capital improvements on an ongoing basis to its properties for the purpose of maintaining and increasing their value. Major improvements and/or renovations to the properties in 1995 and planned for 1996 are discussed by property category on pages 7-10.

Further description of the property groups is contained in Item 2, Properties and in Schedule III. Reference is also made to Item 7, Management's Discussion and Analysis of Financial Condition and Results of Operations.

The number of persons employed by the Trust was 28 as of March 15, 1996.

## ITEM 2. PROPERTIES

The following schedule lists the Trust's real estate investment portfolio as of December 31, 1995. The total number of properties is 41.

As of December 31, 1995 the percent leased is the percentage of net rentable space for which fully executed leases exist and may include signed leases for space not yet occupied by the tenant.

Cost information is included in Schedule III of this Form 10-K Annual Report.

## SCHEDULE OF PROPERTIES

<TABLE>  
<CAPTION>

Properties	Location	Year Acquired	Year Constructed	Net Rentable * Square Feet	Percent Leased 12/31/95
<S>	<C>	<C>	<C>	<C>	<C>
<b>Shopping Centers</b>					
Concord Centre	Springfield, VA	1973	1960	76,383	92%
Bradlee	Alexandria, VA	1984	1955	167,974	100%
Clairmont	Salisbury, MD	1976	1965	40,455	68%
Dover Mart	Dover, DE	1973	1960	44,044	100%
Chevy Chase Metro Plaza	Washington, D.C.	1985	1975	49,893	98%
Prince William Plaza	Woodbridge, VA	1968	1967	54,584	68%
Takoma Park	Takoma Park, MD	1963	1962	58,811	100%
Westminster	Westminster, MD	1972	1969	171,531	90%
Wheaton Park	Wheaton, MD	1977	1967	46,716	98%
Montgomery Village Center	Gaithersburg, MD	1992	1969	196,464	92%
Shoppes of Foxchase	Alexandria, VA	1994	1960	127,564	98%
Frederick County Square	Frederick, MD	1995	1973	232,783	100%
Subtotal				1,267,202	
<b>Office Buildings</b>					
The WRIT Building	Kensington, MD	1979	1965	65,653	97%
1901 Pennsylvania Avenue	Washington, D.C.	1977	1960	97,036	56%
One Metro Square	Rockville, MD	1979	1975	206,144	85%
444 N. Frederick Avenue	Gaithersburg, MD	1989	1981	65,463	90%
7700 Leesburg Pike	Falls Church, VA	1990	1976	122,497	94%
Arlington Financial Center	Arlington, VA	1992	1963	51,655	91%
515 King Street	Alexandria, VA	1992	1966	78,073	90%
The Lexington Building	Rockville, MD	1993	1970	47,751	100%
The Saratoga Building	Rockville, MD	1993	1977	58,237	97%
Brandywine Center	Rockville, MD	1993	1969	34,982	84%
Tycon Plaza II	Vienna, VA	1994	1981	139,938	95%
Tycon Plaza III	Vienna, VA	1994	1978	151,594	92%
6110 Executive Boulevard	Rockville, MD	1995	1971	198,796	95%
1220 19th Street	Washington, D.C.	1995	1976	104,033	90%
Subtotal				1,421,852	
<b>Apartment Buildings/ # units</b>					
Country Club Towers/227	Arlington, VA	1969	1965	276,000	96%
Munson Hill Towers /279	Falls Church, VA	1970	1963	340,000	89%
Park Adams/200	Arlington, VA	1969	1959	210,000	95%
Roosevelt Towers/191	Falls Church, VA	1965	1964	229,000	91%

3801 Connecticut Avenue/307	Washington, D.C.	1963	1951	242,000	94%
Subtotal				1,297,000	
Industrial Distribution Centers					
Pepsi-Cola Distribution Center	Forestville, MD	1987	1971	68,750	100%
Capitol Freeway Center	Washington, D.C.	1974	1940	145,000	100%
Department of Commerce	Springfield, VA	1971	1964	105,000	100%
Fullerton Business Center	Springfield, VA	1985	1980	103,339	100%
Ravensthorpe Center	Springfield, VA	1986	1965	29,000	100%
Shirley I-395 Business Center	Arlington, VA	1961/1986	1960	112,585	100%
V Street Distribution Center	Washington, D.C.	1973	1960	30,753	25%
Charleston Business Center	Rockville, MD	1993	1973	85,267	92%
Tech 100 Industrial Park	Elk Ridge, MD	1995	1990	167,267	96%
Crossroads Distribution Center	Elk Ridge, MD	1995	1987	84,550	100%
Subtotal				931,511	
TOTAL				4,917,565	

</TABLE>

\* Apartment buildings are presented in gross square feet

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#### PROPERTY REPOSITIONINGS

##### Chevy Chase Metro Plaza

In the second quarter of 1995, WRIT completed the renovation and expansion of Chevy Chase Metro Plaza (formerly known as Jenifer One Center). To accomplish this, WRIT negotiated the termination of the below-market lease of the Jenifer Theater, added 11,700 square feet to the property through the addition of a floor in the double height portion of the former theater and installed an escalator between the street level and the newly created floor.

T.J. Maxx has leased this newly created floor and the original lower level floor at a per square foot rate that is double the Jenifer Theater rate. TGI Friday's has leased the former American Cafe space with occupancy expected by the third quarter of 1996. The leases for the other tenants in the property have been extended at substantially increased rental rates. At this time, there remains only one 934 square foot space vacant in the property. As a result of these actions, the property's projected operating income will increase by over 60% from pre-renovation full occupancy.

##### Prince William Plaza

As of January 1, 1995, Prince William Plaza was 72% leased, but only 33% occupied as Blockbuster and Rite-Aid had vacated their spaces with years remaining on their leases. While Rite-Aid, with below market rent, and Blockbuster remained liable for their rent, the vacated stores caused substantial negative impact on the other tenants in the center.

During 1995, WRIT approached Rite-Aid and negotiated an early termination of the lease, which included Rite-Aid paying a penalty fee. This former Rite-Aid space has now been leased to a theater operator at more than 3 times the previous rent and the Blockbuster space has been leased to another video store. Additional new leases, along with the remaining in-place tenants has brought the Center to 96% leased. Prince William Plaza's pro-forma operating income is expected to be 34% higher than its 1994/1995 average.

##### 1901 Pennsylvania Avenue

During 1995, WRIT completed a major renovation to the 1901 Pennsylvania Avenue office building. Renovations to the main lobby, elevator cabs, hallways and restrooms were supplemented by modernizations of the elevator equipment and mechanical systems and installation of a new roof and solar film on windows. Asbestos removal in the building is ongoing, concurrent with tenant buildouts. During 1995, the building was 57% occupied. With the completion of the renovations in the third quarter, leasing activity has increased. As of March 15, 1996, the building is 65% leased and negotiations are ongoing with additional interested potential tenants.

#### SHOPPING CENTERS

On August 22, 1995 WRIT acquired Frederick County Square, a shopping center, containing approximately 233,000 rentable square feet of retail space located on U.S. Route 40 in Frederick, Maryland for an acquisition cost of \$13,392,000. WRIT used \$5,640,000 of the net proceeds from the July 1995 public offering (See Capital Resources and Liquidity) and assumed an existing mortgage of \$7,752,000.

## SHOPPING CENTERS (continued)

## Major improvements during 1995 included:

Chevy Chase Metro Plaza	-	Installation of an additional floor containing 11,700 square feet of rentable area and escalators to the street level
Prince William Plaza	-	Parking lot repaving and cosmetic renovations including new fascia, canopy lights and painting
The Shoppes of Foxchase*	-	Construction of a retaining wall and additional parking, repaving and partial roof replacement

## Major improvements planned for 1996 include:

Wheaton Park Shopping Center	-	Construction of a 25,000 square foot addition
Frederick County Square*	-	Parking lot repairs, lights and upgraded pylons

\* These improvements were projected during acquisition due diligence.

Occupancy rates for the Shopping Center Group averaged 97% in 1993 and 1994 and 94% in 1995. The primary reasons for the decreased Shopping Center Group occupancy level in 1995 were vacancy increases at the Concord and Montgomery Village Shopping Centers and the property repositionings at Prince William Plaza and Chevy Chase Metro Plaza. Concord Shopping Center averaged 92% occupancy during 1995 vs. 100% in 1994 due to lease expirations. Montgomery Village Center averaged 93% in 1995 vs. 97% in 1994, primarily due to the bankruptcy of So Fro Fabrics. With the bankruptcy of Evans Jewelers, the center is 77% leased as of March 15, 1996. Prince William Plaza and Chevy Chase Metro Plaza underwent significant capital improvements and releasing during 1995 and are now 96% and 98% leased, respectively.

Most shopping center leases have automatic annual increases based on changes in the Consumer Price Index or agreed-upon percentages. In addition, these leases generally contain clauses for reimbursement for real estate taxes and common area maintenance costs, and some leases provide for contingent rents based on a percentage of the tenant's gross sales.

## OFFICE BUILDINGS

On January 26, 1995 WRIT acquired 6110 Executive Boulevard, containing approximately 198,000 rentable square feet of office space plus a three-story parking deck in Rockville, Maryland, for an acquisition cost of \$16,515,000. On November 2, 1995 WRIT acquired 1220 Nineteenth Street, NW, containing approximately 104,033 rentable square feet and two and-a-half levels underground parking in Washington, D.C., for an acquisition cost of \$19,169,000.

## Major improvements during 1995 included:

1901 Pennsylvania Avenue	-	A new roof, new spandrels, solar film on windows, canopies, lobby, restroom and common hallway renovations, the replacement of the elevator controls and asbestos removal
One Metro Square	-	Replacement of elevator controls, plaza level roofs and HVAC equipment
Tycon III*	-	Roof and HVAC controls replacement
6110 Executive Boulevard*	-	Roof replacement

## OFFICE BUILDINGS (continued)

## Major improvements planned for 1996 include:

7700 Leesburg Pike	-	Installation of an energy management system and the addition of 20,000 square feet of office space, 100% pre-leased, to be built on top of the existing structured parking
1901 Pennsylvania Avenue	-	Installation of an energy management system, sprinklers and continued asbestos removal
One Metro Square	-	A new penthouse roof, replacement of the energy management system and sprinkler system
WRIT Building	-	Installation of an energy management system

Tycon II*	-	Installation of an energy management system and exterior masonry repairs
Tycon III*	-	Installation of an energy management system
6110 Executive Boulevard*	-	Mechanical system replacement, installation of an energy management system, lighting retrofit, oil tank removal, new sprinkler system, elevator cab renovation, building caulking and restroom and lobby renovations

\* These improvements were projected during acquisition due diligence.

Occupancy rates for the Office Building Group overall averaged 94% in 1993, 93% in 1994 and 89% in 1995. The primary reason for the decreased Office Building Group occupancy level in 1995 was the vacancy at 1901 Pennsylvania Avenue caused by the previously mentioned major renovations during 1995. However, excluding 1901 Pennsylvania Avenue, 1995 Office Building Group occupancy averaged 94%. As of March 15, 1996, 1901 Pennsylvania Avenue is 65% leased, as compared to its average 1995 level of 57%.

Office building leases generally have a three to five year term. Most leases have automatic annual increases based on changes in the Consumer Price Index or agreed-upon percentages and additional pass through reimbursements for increases in real estate taxes and operating expenses.

#### APARTMENTS

WRIT's five high-rise apartment buildings are well located and have a combined total of 1,204 units consisting of efficiency and one, two or three bedroom apartments. Apartment leases are generally for periods of one year or less. There is a continuous emphasis on the upgrading of the units, quality of management and services to residents with the goal to increase resident retention and to enhance market place acceptance.

Four of the apartment buildings are in nearby northern Virginia with convenient transportation routes to downtown Washington. 3801 Connecticut Avenue is in Washington, D.C. and these apartments are subject to the rent control laws of the District of Columbia. The laws provide landlords with annual rent increases tied to the rate of inflation subject to an annual maximum of 10% and also afford landlords the opportunity for additional rent increases as units are re-rented to new tenants.

Major improvements during 1995 included:

All Apartments	-	Turnover upgrades (appliances, cabinets, carpet and wallpaper)
3801 Connecticut Avenue	-	Replacement of the air conditioning lines and removal of asbestos in the boiler room
Park Adams	-	Resurfacing of the pool deck and repair of the pool lining

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#### APARTMENTS (continued)

Major improvements planned for 1996 include:

All Apartments	-	Continuation of turnover upgrades
3801 Connecticut Avenue	-	Completion of the replacement of the air conditioning lines and install energy management system
Munson Hill Towers	-	Parking lot/garage repairs
Park Adams	-	Window repairs, recaulking and/or replacement, parking lot/garage repairs and replacement of the elevator controls
Country Club Towers	-	Install energy management system, window repairs, recaulking and/or replacement and parking lot/garage repairs
Roosevelt Towers	-	Install energy management system and parking lot/garage repairs

Occupancy rates for the Apartment Group overall averaged 95% in 1993, 97% in 1994 and 96% in 1995.

#### INDUSTRIAL DISTRIBUTION CENTERS

On May 17, 1995 WRIT acquired a three-building industrial distribution center, Tech 100 Industrial Park, containing approximately 167,000 rentable square feet of distribution space in Howard County, Maryland, for an acquisition cost of \$6,830,000. On December 21, 1995 WRIT acquired Crossroads Distribution Center, containing approximately 85,000 rentable square feet of distribution space in Howard County, Maryland, for an acquisition cost of \$2,840,000.

Major improvements during 1995 included:

Shirley - 395	-	New roofing
Pepsi	-	New roofing

Major improvements planned for 1996 include:

Fullerton	-	Repaving of the parking lot
-----------	---	-----------------------------

Occupancy rates for the Industrial Distribution Center group overall averaged 89% in 1993, 94% in 1994 and 97% in 1995.

ITEM 3. LEGAL PROCEEDINGS

None.

ITEM 4. SUBMISSION OF MATTERS TO A VOTE OF SECURITY HOLDERS

No matters were submitted to a vote of security holders during the fourth quarter of 1995.

PART II

ITEM 5. MARKET FOR THE REGISTRANT'S COMMON STOCK AND RELATED STOCKHOLDER MATTERS

The Trust's shares have been traded on the American Stock Exchange since 1971 and there are approximately 39,000 shareholders. The Trust's shares were split 3-for-1 in March, 1981, 3-for-2 in July, 1985, 3-for-2 in December, 1988, and 3-for-2 in May, 1992.

The high and low sales price for the Trust's shares for 1995 and 1994, by quarter, and the amount of dividends paid by the Trust are as follows:

<TABLE>  
<CAPTION>

Quarter ----- <S>	Dividends Per Share ----- <C>	Quarterly Share Price Range -----	
		High ---- <C>	Low --- <C>
1995			
4	\$.25	\$16 1/8	\$14 1/2
3	.25	15 3/4	13 7/8
2	.25	16 1/4	14 1/4
1	.24	16 5/8	15
1994			
4	\$.23	\$18	\$14 7/8
3	.23	19 7/8	17
2	.23	21 1/8	17 5/8
1	.23	21	18 5/8

</TABLE>

The Trust has historically paid dividends on a quarterly basis and there are currently no restrictions on the Trust's present or future ability to pay such dividends. Dividends are normally paid based on the Trust's cash flow from operating activities. The 1996 indicated annual dividend rate is \$1.00 based on an annualization of the March 29, 1996 dividend.

Item 6. Selected Financial Data

<TABLE>  
<CAPTION>

	1995	1994	1993	1992
1991	----	----	----	----
<S>	<C>	<C>	<C>	<C>
<C>				
Real estate revenue \$33,311,399	\$52,597,497	\$45,511,482	\$39,375,282	\$34,132,217
Income before gain on sale of real estate	\$26,103,329	\$23,122,240	\$22,506,219	\$20,429,264



\$18,386,398

Gain on sale of real estate	-	-	\$741,217	-
-				
Net income	\$26,103,329	\$23,122,240	\$23,247,436	\$20,429,264
\$18,386,398				
Income before gain on sale of real estate per share	\$0.88	\$0.82	\$0.80	\$0.76
\$0.74				
Net income per share	\$0.88	\$0.82	\$0.82	\$0.76
\$0.74				
Total assets	\$241,783,507	\$178,806,110	\$162,010,652	\$185,673,242
\$135,741,092				
Lines of credit payable/Short-term bank loan	\$28,000,000	\$18,000,000	-	\$21,000,000
-				
Mortgage payable	\$7,706,346	-	-	\$1,115,193
\$11,329,370				
Shareholders' equity	\$199,734,678	\$154,659,100	\$157,348,056	\$159,026,525
\$119,944,265				
Cash dividends paid	\$29,711,993	\$25,981,388	\$24,380,361	\$22,513,368
\$19,672,408				
Distribution of gain on sale of real estate	-	-	\$741,217	-
-				
Cash dividends paid per share	\$0.99	\$0.92	\$0.89	\$0.84
\$0.79				

</TABLE>

ITEM 7. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

RESULTS OF OPERATIONS

REAL ESTATE RENTAL REVENUE: 1995 VERSUS 1994

Total revenues for 1995 increased \$7.1 million to \$52.6 million from \$45.5 million in 1994. The percentage increase in real estate rental revenue from 1994 to 1995 by property type was as follows:

<TABLE>  
<CAPTION>

	1994/1995
	-----
<S>	<C>
Office Buildings	22%
Apartments	3%
Shopping Centers	16%
Industrial Distribution Centers	20%

</TABLE>

During 1995, WRIT's Office Building Group had increases of 22% in revenues and 17.4% in operating income due primarily to the acquisition of the Tycon II and III office buildings in 1994 and the 6110 Executive Boulevard and 1220 19th Street office buildings in 1995. The Tycon buildings were 71% occupied at acquisition in June of 1994 but averaged 94% occupancy during 1995. 6110 Executive Boulevard was acquired by the Trust January 31, 1995 and averaged 94% occupancy during 1995. 1220 19th Street was acquired by the Trust in November, 1995. This property was 90% leased at December 31, 1995.

WRIT's Apartment Group had increases of 3% in revenues and 2% in operating income during 1995. This increase was the result of a 3% increase in rents more than offsetting a 3.3% increase in operating expenses and a 1% decrease in occupancy to 96%. The major cause of the 3.3% increase in operating expenses was the adoption of a more conservative capitalization policy regarding repairs, replacements, and improvements.

During 1995, WRIT's Shopping Center Group had increases of 16% in revenues and operating income due primarily to the repositioning of Chevy Chase Metro Plaza, as well as the acquisition of the Shoppes of Foxchase in 1994 and Frederick County Square in 1995.

During 1995, WRIT's Industrial Distribution Center Group had increases of 20% in revenues and 23% in operating income. This was due primarily to significant occupancy increases at Shirley - 395 and Fullerton, rental rate increases averaging 3.1% throughout the group, and the 1995 acquisition of Tech 100 Industrial Park. In December 1995, WRIT acquired Crossroads Distribution

Center, a 100% leased property. Occupancy rates for the Industrial Distribution Center group overall averaged 97% in 1995.

REAL ESTATE RENTAL REVENUE: 1994 VERSUS 1993

Total revenues for 1994 increased \$6.1 million to \$45.5 million from \$39.4 million in 1993. The percentage increase in real estate rental revenue from 1993 to 1994 by property type was as follows:

<TABLE>  
<CAPTION>

	1993/1994
<S>	<C>
Office Buildings	34%
Apartments	4%
Shopping Centers	5%
Industrial Distribution Centers	17%

</TABLE>

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RESULTS OF OPERATIONS - (continued)

The increase of 34% in real estate revenue from 1993 to 1994 for office buildings was primarily attributable to the acquisitions of the three office buildings in November 1993 and the two office buildings in June of 1994.

During 1994, WRIT's Apartment Group had increases of 4% in revenues and 7% in operating income, due to the combination of a 2% increase in rental rates and an overall increase in occupancy to 97% in 1994 from 95% in 1993, combined with an increase in operating expenses of only 1%.

During 1994, WRIT's Shopping Center Group had an increase of 5% in revenues and 3% in operating income, due to the acquisition of The Shoppes at Foxchase in June of 1994.

During 1994, WRIT's Industrial Distribution Center Group had increases of 17% in revenues and 15% in operating income, due to the acquisition of the Charleston Business Center in November of 1993 and major occupancy increases at the Fullerton and Port Royal properties, only slightly offset by a vacancy increase at the V street property.

OPERATING EXPENSES AND OTHER RESULTS OF OPERATIONS

Real estate operating expenses as a percentage of revenue was 32% for 1995 as compared to 31% for 1994 and 30% for 1993. This increase is attributable to the decline in occupancy levels in 1995 and to the fact that operating expenses as a percentage of revenues are higher for office building properties than the other property types within the WRIT portfolio. WRIT's percentage of office buildings within its entire real estate portfolio has increased from 43% at December 31, 1994 to 47% as of December 31, 1995. This increase is attributable primarily to the acquisitions of 6110 Executive Boulevard in January, 1995 and 1220 19th Street in November, 1995.

In 1995, other income (expense) increased from 1994 due to investment earnings in 1995 on the net proceeds of approximately \$48,000,000 from the sale of 3,500,000 shares of beneficial interest. 1995 other income (expense) also increased as a result of a 1994 charge of \$799,571 to other income (expense) for the sale of a marketable investment security. Also in 1994, there was a charge to other income (expense) of \$271,000 as the result of an audit assessment by the State of Maryland unclaimed property division.

1995 interest expense was \$1,920,479 due to \$18,000,000 of advances outstanding until July 1995 on the line of credit borrowings from 1994 and \$44,000,000 of advances on the lines of credit to finance 1995 acquisitions. \$36,000,000 of repayments on the advances from the lines of credit also occurred in 1995. WRIT incurred \$249,322 of interest expense on the mortgage note payable assumed in August 1995 for the acquisition of Frederick County Square for a total 1995 interest expense of \$2,169,801. Interest expense was \$614,162 for 1994 as a result of advances on the credit commitment for the acquisitions of Tycon Plaza and The Shoppes of Foxchase. Interest expense for 1993 was \$61,462 for a mortgage which was paid in full in that year.

General and administrative expenses were \$3,355,199 for 1995 as compared to \$3,260,870 for 1994 and \$2,858,035 for 1993. The majority of the increase for 1995 as compared to 1994 is attributable to personnel additions since June of 1994 and continuing into 1995, partially offset by reduced pension costs and the completion of severance pay in June, 1995 to WRIT's former Chairman and Chief Executive Officer, B. Franklin Kahn, who retired in March, 1995. The majority of the increase for 1994 as compared to 1993 is attributable to personnel additions and increased shareholder expenses.

## CAPITAL RESOURCES AND LIQUIDITY

WRIT has utilized the proceeds of share offerings, long-term fixed interest rate debt, bank lines of credit and cash flow from operations for its capital needs. External sources of capital will continue to be available to WRIT from its existing unsecured credit commitments and management believes that additional sources of capital are available from selling additional shares and/or the sale of long-term senior notes. The funds raised would be used to pay off any outstanding advances on our lines of credit and for new acquisitions and capital improvements.

Cash flow from operating activities totaled \$30,987,000 for the year ended December 31, 1995 including net income of \$26,103,000 and depreciation of \$5,084,000. Increases in other assets of \$395,000 were due to increases in rents and other receivables, prepaid real estate taxes and insurance. Increases in other liabilities was primarily due to increases in tenant security deposits. The majority of these increases were due to a larger property portfolio. Rental revenue has been the principal source of funds to pay WRIT's operating expenses, interest expense and dividends to shareholders. In 1995, WRIT paid dividends totaling \$29,712,000.

Net cash used in investing activities for the year ended December 31, 1995 was \$59,118,000 including 1995 property acquisitions of \$50,994,000 and improvements to real estate of \$8,124,000.

On July 25, 1995 WRIT received \$48,842,500 from the issuance and sale of 3,500,000 shares. WRIT's other underwriting expenses were \$232,600 resulting in net proceeds received by the Trust of \$48,609,900. Approximately \$36,000,000 of the net proceeds were used to repay certain borrowings outstanding under the Trust's lines of credit resulting from 1994 and 1995 property acquisitions. \$6,994,000 of the net proceeds in addition to financing was used to acquire Frederick County Square and 1220 Nineteenth Street. The balance of the net proceeds was used to renovate, expand or improve income producing properties.

WRIT has line of credit commitments in place from commercial banks for up to \$75,000,000. As of January 1, 1995, WRIT had \$18,000,000 of borrowings on its line of credit, which was used for 1994 acquisitions. During 1995, WRIT acquired five properties for a total of acquisition costs of \$58,746,000. WRIT borrowed \$44,000,000 for these acquisitions under its lines of credit, assumed a mortgage for \$7,752,000 and used \$6,994,000 of proceeds from its July, 1995 public offering to complete these property acquisitions. During 1995 WRIT repaid \$36,000,000 of line of credit borrowings (\$34,000,000 for property acquisitions and \$2,000,000 for property improvements) leaving \$28,000,000 due with a weighted average interest rate of 6.1% and \$47,000,000 available for future borrowings. Line of credit maturities range from July 26, 1996 (subject to extension until July 25, 1997 at WRIT's option) to January 31, 1999.

Capital improvements of \$8,124,000 were completed in 1995, including tenant improvements. Improvements to WRIT properties in 1994 and 1993 were approximately \$5,787,000 and \$4,712,000, respectively. WRIT's 1996 planned capital improvements total \$11,470,000, including \$3,234,000 for tenant improvements.

Management believes that it has the liquidity and the capital resources necessary to meet all of its known obligations and to make additional property acquisitions and capital improvements when appropriate to enhance long-term growth.

## ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA

The financial statements and supplementary data are listed under Item 14(a) and filed as part of this report on the pages indicated.

## ITEM 9. CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL DISCLOSURE

None.

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PART III

Certain information required by Part III is omitted from this Report in that the Registrant will file a definitive proxy statement pursuant to Regulation 14A (the "Proxy Statement") not later than 120 days after the end of the fiscal year covered by this Report, and certain information included therein is incorporated herein by reference. Only those sections of the Proxy Statement which specifically address the items set forth herein are incorporated by reference. Such incorporation does not include the Performance Graph included in the Proxy Statement.

## ITEM 10. DIRECTORS AND EXECUTIVE OFFICERS OF THE REGISTRANT

The information required by this Item is hereby incorporated herein by

reference to WRIT's 1996 Annual Meeting Proxy Statement.

ITEM 11. EXECUTIVE COMPENSATION

The information required by this Item is hereby incorporated by reference to WRIT's 1996 Proxy Statement.

ITEM 12. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT

The information required by this Item is hereby incorporated by reference to WRIT's 1996 Proxy Statement.

ITEM 13. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS

The information required by this Item is hereby incorporated by reference to WRIT's 1996 Proxy Statement.

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PART IV

ITEM 14. EXHIBITS, FINANCIAL STATEMENT SCHEDULES AND REPORTS ON FORM 8-K

ITEM 14(a) The following documents are filed as a part of this Report:

- 1. Financial Statements: The following Financial Statements of Washington Real Estate Investment Trust and Report of Independent Accountants are included in this report.

Report of Independent Accountants.

Balance Sheets at December 31, 1995 and 1994.

Statements of Income for the years ended December 31, 1995, 1994 and 1993.

Statements of Changes in Shareholders' Equity for the years ended December 31, 1995, 1994 and 1993.

Statements of Cash Flows for the years ended December 31, 1995, 1994 and 1993.

Notes to Financial Statements.

- 2. Financial Statement Schedules: The following financial statement schedules of Washington Real Estate Investment Trust for the periods indicated are filed as part of this Report and should be read in conjunction with the Financial Statements of Washington Real Estate Investment Trust.

<TABLE>		
<CAPTION>		
Schedule		
Page		
-----		
----		
<S>	<C>	<C>
III	Real Estate and Accumulated Depreciation.....	31-32
IV	Mortgage Note Receivable.....	33
	Supplementary Information: Quarterly Financial Results (unaudited).....	34
</TABLE>		

Schedules not listed above have been omitted because they are not applicable or are not required or the information to be set forth therein is included in the Financial Statements or Notes thereto.

- 3. Exhibits:

- 3. Declaration of Trust and Bylaws

- (a) Declaration of Trust, as amended, \*
- (b) Bylaws. \*

ITEM 14(a) (continued)

- 4. (a) Credit agreement dated March 1, 1995 between Washington Real Estate Investment Trust, as borrower, The First National Bank of Chicago, as Lender, and

The First National Bank of Chicago as Agent.

The Trust is party to other instruments defining the rights of holders of long-term debt. No such instrument authorizes an amount of securities in excess of 10% of the total assets of the Trust. On request, the Trust agrees to furnish a copy of each such instrument to the Securities and Exchange Commission.

- 10. Management contracts, plans and arrangements
  - (a) Employment Agreement dated May 11, 1994 with Edmund B. Cronin, Jr. \*
  - (b) 1991 Incentive Stock Option Plan. \*
  - (c) Nonqualified Stock Option Agreement dated June 27, 1990 with B. Franklin Kahn. \*
  - (d) Nonqualified Stock Option Agreement dated December 14, 1994 with Edmund B. Cronin, Jr. \*
  - (e) Nonqualified Stock Option Agreement dated December 19, 1995 with Edmund B. Cronin, Jr.
  
- 23. Consents
  - (a) Consent of Price Waterhouse LLP

ITEM 14(b)

Reports on Form 8-K: Forms 8-K and 8-K/A were filed on August 22, 1995 with the Securities and Exchange Commission.

\* Incorporated herein by reference to the Exhibit of the same designation to Amendment No. 2 to the Trust's Registration Statement on Form S-3 filed July 17, 1995.

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SIGNATURES

Pursuant to the requirements of Section 13 and 15 (d) of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

WASHINGTON REAL ESTATE INVESTMENT TRUST

/ s / Edmund B. Cronin, Jr.  
By \_\_\_\_\_:

Date: March 28, 1996,

Edmund B. Cronin, Jr.  
President and Chief Executive Officer

Pursuant to the requirements of the Security and Exchange Act of 1934, this report has been signed below by the following persons on behalf of the registrant and in the capacities and on the dates indicated.

<TABLE> <CAPTION> Signature -----	Title -----	Date -----
<S> / s / Arthur A. Birney -----	<C> Chairman and Trustee	<C> March 27, 1996
Arthur A. Birney		
/ s / William N. Cafritz -----	Trustee	March 28, 1996
William N. Cafritz		
Benjamin H. Dorsey -----	Secretary and Trustee	March 28, 1996
Benjamin H. Dorsey		
/ s / David M. Osnos -----	Trustee	March 28, 1996
David M. Osnos		

/ s / Stanley P. Snyder ----- Stanley P. Snyder	Trustee	March 28, 1996
/ s / Larry E. Finger ----- Larry E. Finger	Senior Vice President, Finance and Chief Financial Officer	March 28, 1996
/ s / B. Franklin Kahn ----- B. Franklin Kahn	Trustee, Retired Chairman and Chief Executive Officer	March 28, 1996
/ s / Laura M. Franklin ----- Laura M. Franklin	Vice President, Finance and Chief Accounting Officer	March 28, 1996

</TABLE>

19  
Report of Independent Accountants

To the Trustees and Shareholders of  
Washington Real Estate Investment Trust

In our opinion, the financial statements listed in the index appearing under item 14(a) (1) and (2) on page 17 present fairly, in all material respects, the financial position of Washington Real Estate Investment Trust at December 31, 1995 and 1994, and the results of its operations and its cash flows for each of the three years in the period ended December 31, 1995, in conformity with generally accepted accounting principles. These financial statements are the responsibility of the Trust's management; our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits of these statements in accordance with generally accepted auditing standards which require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for the opinion expressed above.

PRICE WATERHOUSE LLP

Washington, D.C.  
March 27, 1996

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WASHINGTON REAL ESTATE INVESTMENT TRUST  
BALANCE SHEETS

<TABLE>  
<CAPTION>

	December 31, 1995	December 31, 1994
	-----	-----
	<C>	<C>
<S> Assets		
Real estate at cost	\$272,597,214	\$206,377,733
Accumulated depreciation	(41,021,586)	(36,588,540)
	-----	-----
	231,575,628	169,789,193
Mortgage note receivable	800,000	800,000
	-----	-----
Total investment in real estate	232,375,628	170,589,193
Cash and temporary investments	3,531,812	2,736,183
Rents and other receivables, net of allowance for doubtful accounts of \$517,934 and \$650,356, respectively	2,307,314	2,207,069
Prepaid expenses and other assets	3,568,753	3,273,665
	-----	-----

	\$241,783,507	\$178,806,110
	=====	=====
Liabilities		
Accounts payable and other liabilities	\$3,032,575	\$2,975,691
Tenant security deposits	1,827,725	1,517,762
Advance rents	1,482,183	1,653,557
Mortgage note payable	7,706,346	-
Lines of credit payable	28,000,000	18,000,000
	-----	-----
	42,048,829	24,147,010
	-----	-----
Shareholders' Equity		
Shares of beneficial interest, unlimited authorization, without par value	184,416,013	139,340,435
Undistributed gains on real estate dispositions	15,318,665	15,318,665
	-----	-----
	199,734,678	154,659,100
	-----	-----
	\$241,783,507	\$178,806,110
	=====	=====

</TABLE>

See accompanying notes to financial statements

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WASHINGTON REAL ESTATE INVESTMENT TRUST

STATEMENTS OF INCOME

<TABLE>

<CAPTION>

	Year Ended December 31,		
	1995	1994	1993
	-----	-----	-----
<S>	<C>	<C>	<C>
Real estate rental revenue	\$52,597,497	\$45,511,482	\$39,375,282
Real estate expenses	(16,600,615)	(14,030,844)	(11,829,702)
	-----	-----	-----
Depreciation	35,996,882	31,480,638	27,545,580
	(5,083,742)	(3,933,090)	(3,616,190)
	-----	-----	-----
Income from real estate	30,913,140	27,547,548	23,929,390
Other income (expense)	715,189	(550,276)	1,496,326
Interest expense	(2,169,801)	(614,162)	(61,462)
General and administrative	(3,355,199)	(3,260,870)	(2,858,035)
	-----	-----	-----
Income before gain on sale of real estate	26,103,329	23,122,240	22,506,219
Gain on sale of real estate	-	-	741,217
	-----	-----	-----
Net income	\$26,103,329	\$23,122,240	\$23,247,436
	=====	=====	=====
Income before gain on sale of real estate per share	\$0.88	\$0.82	\$0.80
	=====	=====	=====
Net income per share	\$0.88	\$0.82	\$0.82
	=====	=====	=====

</TABLE>

See accompanying notes to financial statements

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WASHINGTON REAL ESTATE INVESTMENT TRUST

STATEMENTS OF CASH FLOWS

<TABLE>

<CAPTION>

	1995	Year Ended December 31, 1994	
1993			--
-----			
<S>	<C>	<C>	<C>
Cash Flow From Operating Activities			
Net income	\$26,103,329	\$23,122,240	
\$23,247,436			
Adjustments to reconcile net income to net cash provided by operating activities			
Depreciation	5,083,742	3,933,090	
3,616,190			
Changes in other assets	(395,333)	479,493	
(1,156,187)			
Changes in other liabilities	195,473	1,484,414	
65,938			
Gain on sale of property	-	-	
(741,217)			
Loss on sale of marketable investment securities	-	799,571	
-			
-----			--
Cash flow provided by operating activities	30,987,211	29,818,808	
25,032,160			
-----			--
Cash Flow From Investing Activities			
Improvements to real estate	(8,123,995)	(5,786,977)	
(4,711,662)			
Real estate acquisitions, net *	(50,994,178)	(30,729,184)	
(11,049,907)			
Purchases of marketable investment securities	(75,949,280)	(33,560,706)	
(15,524,945)			
Maturities and sales of marketable investment securities	75,949,280	49,045,967	
53,000,435			
Proceeds from the sale of real property	-	-	
176,000			
Payments received on mortgage note receivable for sale of property	-	-	
74,000			
-----			--
Net cash (used in) provided by investing activities	(59,118,173)	(21,030,900)	
21,963,921			
-----			--
Cash Flow From Financing Activities			
Dividends paid	(29,711,993)	(25,981,388)	
(24,380,361)			
Distribution of gain on sale of real estate	-	-	
(741,217)			
Repayment of short-term bank loan	-	-	
(21,000,000)			
Borrowings - lines of credit	46,000,000	18,000,000	
-			
Repayments - lines of credit	(36,000,000)	-	
-			
Mortgage principal payments	(45,658)	-	
(27,269)			
Mortgage principal retirements	-	-	
(1,087,924)			
Net proceeds from sale of shares	48,609,895	-	
Share options exercised	74,347	170,192	
195,673			
-----			--
Net cash flow provided by (used in) financing activities	28,926,591	(7,811,196)	
(47,041,098)			
-----			--
Net increase (decrease) in cash and cash equivalents	795,629	976,712	
(45,017)			
Cash and temporary investments at beginning of year	2,736,183	1,759,471	
1,804,488			
-----			--
Cash and temporary investments at end of year	\$3,531,812	\$2,736,183	
\$1,759,471			
=====			

Supplemental disclosure of cash flow information



-----		
Cash paid during the year for interest	\$2,111,342	\$514,811
\$61,462		
=====	=====	=====
Cash paid during the year for real estate taxes	\$3,666,005	\$3,247,171
\$3,026,845		
=====	=====	=====

</TABLE>

\*Supplemental schedule of non-cash investing and financing activities  
On August 22, 1995 WRIT purchased Frederick Square Shopping Center for an acquisition cost of \$13,392,000. WRIT assumed a mortgage in the amount of \$7,752,000 and paid the balance in cash, the \$7,752,000 mortgage is not included in the \$50,994,178 amount shown as real estate acquisitions.

See accompanying notes to financial statements

WASHINGTON REAL ESTATE INVESTMENT TRUST  
STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY

<TABLE>  
<CAPTION>

	Shares of Beneficial Interest		Undistributed Gains on Real Estate Dispositions
	Shares	Amount	
	-----	-----	-----
<S>	<C>	<C>	<C>
Balance, December 31, 1992	28,211,387	\$143,707,860	\$15,318,665
Net income		22,506,219	
Gain on sale of real estate			741,217
Dividends		(24,380,361)	(741,217)
Share options exercised	16,218	195,673	
	-----	-----	-----
Balance, December 31, 1993	28,227,605	142,029,391	15,318,665
Net income		23,122,240	
Dividends		(25,981,388)	
Share options exercised	14,939	170,192	
	-----	-----	-----
Balance, December 31, 1994	28,242,544	139,340,435	15,318,665
Net income		26,103,329	
Net proceeds from sale of shares	3,500,000	48,609,895	
Dividends		(29,711,993)	
Share options exercised	9,190	74,347	
	-----	-----	-----
Balance, December 31, 1995	31,751,734	\$184,416,013	\$15,318,665
	=====	=====	=====

</TABLE>

See accompanying notes to financial state

WASHINGTON REAL ESTATE INVESTMENT TRUST  
NOTES TO FINANCIAL STATEMENTS

NOTE A: NATURE OF BUSINESS

Washington Real Estate Investment Trust (WRIT or the Trust) is a self-administered qualified equity real estate investment trust. The Trust's business consists of the ownership of income-producing real estate properties principally in the Greater Washington-Baltimore Region. The Trust has a fundamental strategy of regional focus, diversified property type ownership and conservative financial management.

Washington Real Estate Investment Trust (WRIT) operates in a manner intended to enable it to qualify as a real estate investment trust under the Internal Revenue Code (the "Code"). In accordance with the Code, a trust which distributes its capital gains and at least 95% of its taxable income to its shareholders each year, and which meets certain other conditions, will not be taxed on that portion of its taxable income which is distributed to its shareholders. Accordingly, no provision for Federal income taxes is required.

NOTE B: ACCOUNTING POLICIES

Residential properties are leased under operating leases with terms of generally one year or less, and commercial properties are leased under operating leases with average terms of three years. WRIT recognizes rental income from its residential and commercial leases when earned, which is not materially different than revenue recognition on a straight-line basis.

Buildings are depreciated on a straight-line basis over estimated useful lives

not exceeding 50 years. Effective January 1, 1995, WRIT revised its estimate of useful lives for major capital improvements to real estate. All capital improvement expenditures associated with replacements, improvements, or major repairs to real property are depreciated using the straight-line method over their estimated useful lives ranging from 3 to 20 years. All tenant improvements are amortized using the straight-line method over 5 years or the term of the lease if it differs significantly from 5 years. Capital improvements placed in service prior to January 1, 1995 will continue to be depreciated on a straight-line basis over their previously estimated useful lives not exceeding 30 years. Maintenance and repair costs are charged to expense as incurred. Depreciation expense for Federal income tax purposes differs from that reported for financial statement purposes due to the use of different lives and depreciation methods. As of December 31, 1995 the net assets as reported in WRIT's financial statements exceed the net basis for Federal Income Tax purposes by \$14,571,577 due to a lower basis of certain real estate assets acquired by tax-free exchanges.

Cash and temporary investments, mortgage note receivable, rents and other receivables, prepaid expenses and other assets, accounts payable and other liabilities, tenant security deposits, advance rents, mortgage note payable and lines of credit payable are carried at historical cost which reasonably approximate their fair values. Cash and temporary investments include investments readily convertible to known amounts of cash generally with original maturities of 90 days or less.

Disclosure about the fair value of financial instruments is based on information available to WRIT as of December 31, 1995. Although WRIT is not aware of any factors that would significantly affect the reasonable fair value amounts, such amounts have not been comprehensively revalued for purposes of these financial statements since that date, and current estimates of fair value may differ from the carrying amounts.

Certain prior year amounts have been reclassified to conform to the current year presentation.

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make certain 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.

WASHINGTON REAL ESTATE INVESTMENT TRUST  
NOTES TO FINANCIAL STATEMENTS

NOTE B: ACCOUNTING POLICIES (continued)

Recent Accounting Pronouncements: In March 1995, The Financial Accounting Standards Board (FASB) issued statement No. 121, "Accounting for the Impairment of Long-Lived Assets and for Long-Lived Assets to Be Disposed Of", which requires impairment losses to be recorded on long-lived assets used in operations when indicators of impairment are present and the undiscounted cash flows estimated to be generated by those assets are less than the assets' carrying amount. Statement No. 121 also addresses the accounting for long-lived assets that are expected to be disposed of. The Company will adopt Statement No. 121 in the first quarter of 1996. In October 1995, the FASB issued Statement No. 123, "Accounting for Stock-Based Compensation". Statement No. 123 establishes financial accounting and reporting standards for stock-based employee compensation plans and is effective for fiscal years beginning after December 15, 1995. The company expects to continue to apply the accounting provisions of APB opinion 25 in determining its net income. However, beginning in 1996, additional disclosures will be made about the estimated compensation expense under the method established by Statement No. 123. The adoption of these standards will not have a material effect on the company's financial position or results of operations.

NOTE C: REAL ESTATE INVESTMENTS

WRIT's real estate investment portfolio, at cost, consists of properties located in Maryland, Washington, D.C., Virginia and Delaware as follows:

<TABLE>

<CAPTION>

	December 31,	
	1995	1994
<S>	<C>	<C>
Office buildings	\$128,222,088	\$ 88,968,658
Apartment buildings	27,195,617	26,369,011
Shopping centers	82,108,462	65,921,524
Industrial distribution centers	35,071,047	25,118,540
	-----	-----
	\$272,597,214	\$206,377,733
	=====	=====

</TABLE>

Properties acquired by WRIT during the year ending December 31, 1995 are as follows:

Acquisition Date	Property	Type	Rentable Square Feet	
<S>	<C>	<C>	<C>	<C>
1/26/95	6110 Executive Boulevard	Office	198,800	
\$16,515,000				
5/17/95	Tech 100 Industrial Park	Industrial	167,300	
6,830,000				
8/22/95	Frederick County Square (Note E)	Shopping center	232,800	
13,392,000				
11/02/95	1220 19th Street	Office	104,000	
19,169,000				
12/23/95	Crossroads Distribution Center	Industrial	84,600	
2,840,000				
			787,500	
\$58,746,000				

NOTE D: MORTGAGE NOTE RECEIVABLE

In June 1993, WRIT sold its headquarters building for \$1,050,000 and recognized a gain of \$741,217. Proceeds received were \$176,000 in cash and \$874,000 in a mortgage note receivable. Principal payments received in 1993 totaled \$74,000. In February 1996, the mortgage note receivable was modified and the term was extended for a period of ten years beginning July, 1996. The mortgage bears interest at 9% through June, 1996, then 12% thereafter and matures in June, 2006. Interest only is payable monthly until June, 1996. Beginning in July, 1996, interest and principal are payable monthly, based upon a thirty year amortization, until June, 2006. At that time all accrued and unpaid interest and principal are due in full. At December 31, 1995, the fair value of the mortgage note receivable approximates its carrying amount.

WASHINGTON REAL ESTATE INVESTMENT TRUST  
NOTES TO FINANCIAL STATEMENTS

NOTE E: MORTGAGE NOTE PAYABLE

On August 22, 1995 WRIT assumed a \$7,752,000 mortgage note payable as partial consideration for its acquisition of Frederick County Square. The mortgage bears interest at 9%. Principal and interest are payable monthly until January 1, 2003 at which time all unpaid principal and interest are payable in full. Annual maturities of principal as of December 31, 1995 are \$117,000, \$128,000, \$140,000, \$153,000, \$167,000 and \$7,001,000 thereafter. At December 31, 1995, the fair value of the mortgage note payable approximates its carrying amount.

NOTE F: LINES OF CREDIT PAYABLE

On January 26, 1995 WRIT borrowed \$16,000,000 on a short-term bank loan at the bank's then prime rate of 8.5%. Interest only was payable monthly on the unpaid principal balance at the bank's corporate base rate. On March 8, 1995, the \$16,000,000 short-term loan was replaced with an unsecured credit commitment of \$25,000,000 and the outstanding advance of \$16,000,000 was transferred to this new commitment. This \$16,000,000 advance bore interest at the rate of 6.8% until September 8, 1995, at which time it was paid in full (See Capital Resources and Liquidity). Additionally under this commitment, WRIT borrowed the following amounts: On May 15, 1995, \$7,000,000 for the acquisition of Tech 100 Industrial Park, on June 28, 1995, \$2,000,000 for capital improvements and major renovations, and on November 2, 1995, \$18,000,000 for the acquisition of 1220 19th Street. The \$2,000,000 advance bore interest at the rate of 6.42% until July 31, 1995 at which time it was paid in full. On November 15, 1995 the initial interest rate of 6.425% expired for the \$7,000,000 advance. The new rate of 5.99% is effective until August 12, 1996 at which time it will adjust as described below. The \$18,000,000 advance bears interest at the rate of 6.11% until August 29, 1996 at which time it will also adjust as further described. Interest only is payable monthly, in arrears, on the unpaid principal balance. All new advances and interest rate adjustments upon the expiration of WRIT's interest lock-in dates will bear interest at LIBOR plus a spread based on WRIT's debt service coverage ratio. Based on WRIT's current debt service coverage ratio, this spread is 30 basis points over LIBOR. All unpaid interest and principal can be prepaid prior to the expiration of WRIT's interest rate lock-in periods subject to a yield maintenance obligation and all unpaid principal and interest are due January 31, 1999.

This \$25,000,000 credit commitment requires WRIT to pay the lender an unused

commitment fee at the rate of 0.15% per annum in the first year, and 0.20% per annum thereafter, on the amount that the \$25,000,000 commitment exceeds the balance of outstanding advances and term loans. This fee is payable monthly beginning March, 1995 until January, 1999. This commitment also contains certain financial and legal covenants which WRIT is required to meet periodically.

On July 27, 1995 WRIT renegotiated its other \$25,000,000 unsecured credit commitment that was scheduled to expire on August 25, 1995 and replaced it with an unsecured credit commitment of \$50,000,000 from the same bank and a participating bank for the express purpose of purchasing income-producing property and to make capital improvements to real property. On December 21, 1995 WRIT borrowed \$3,000,000 under this commitment for the acquisition of Crossroads Distribution Center. The \$3,000,000 advance bears interest at the rate of 6.15% until July 18, 1996 at which time it will adjust. Interest only is payable monthly, in arrears, on the unpaid principal balance. All unpaid interest and principal are due July 26, 1996, and can be prepaid prior to this date without any prepayment fee or yield maintenance obligation. WRIT has the option to extend this agreement until July 25, 1997. At that time, WRIT intends to exercise this option. Any new advances shall bear interest at LIBOR plus a spread based on WRIT's interest coverage ratio. Based on WRIT's current interest coverage ratio, this spread is 50 basis points over LIBOR. This credit agreement provides WRIT the option to convert any advances or portions thereof into a term loan at any time after January 27, 1996 and prior to July 26, 1996 or July 25, 1997, if extended. The principal amount of each term loan, if any, shall be repaid on July 27, 1999. Such term loan(s) may be prepaid subject to a prepayment fee.

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WASHINGTON REAL ESTATE INVESTMENT TRUST  
NOTES TO FINANCIAL STATEMENTS

NOTE F: LINES OF CREDIT PAYABLE (continued)

The \$50,000,000 credit commitment requires WRIT to pay the lender an unused commitment fee at the rate of 0.15% per annum on the amount by which \$50,000,000 exceeds the balance of outstanding advances and term loans. This fee is payable quarterly in arrears beginning October 1995 until July 26, 1996, or July 25, 1997 if extended. This commitment also contains certain covenants which WRIT is required to meet periodically.

As of December 31, 1995 there were advances outstanding on the above credit facilities in the amount of \$28,000,000.

NOTE G: SHARES OF BENEFICIAL INTEREST AND DIVIDENDS

Net income per share is calculated by dividing net income by the weighted average number of shares outstanding during the year. The weighted average shares outstanding were 29,786,933, 28,239,420 and 28,223,307 in 1995, 1994 and 1993, respectively.

The following is a breakdown of the taxable percentage of WRIT's dividends for 1995, 1994 and 1993, respectively:

<TABLE>  
<CAPTION>

	Ordinary Income -----	Capital Gain -----	Return of Capital -----
<S>	<C>	<C>	<C>
1995	89.23%	--	10.77%
1994	90.54%	--	9.46%
1993	95.80%	2.60%	1.60%

</TABLE>

NOTE H: SHARE OPTIONS

WRIT maintains an Incentive Share Option Plan under which up to 1,324,700 shares may be awarded to eligible employees. Options, which are issued at market price on the date of grant, vest after not more than two years and expire ten years following the date of grant. Activity under the plan is summarized below:

<TABLE>  
<CAPTION>

	Number of Shares -----	Option Price -----	Options Exercisable -----
<S>	<C>	<C>	<C>
Balance, December 31, 1992	193,142	\$ 7.07 - \$ 18.62	101,986
Exercised	(16,218)	7.07 - 15.21	
Balance, December 31, 1993	176,924	7.07 - 18.62	119,394
Granted	57,798	15.1875 - 20.625	
Exercised	(14,939)	7.07 - 15.21	
Canceled	(23,642)	12.79 - 20.625	
Balance,	-----		

December 31, 1994	196,141	8.09	-	20.625	100,868
Granted	50,196	14.625			
Exercised	(9,190)	8.09			
Canceled	(56,375)	12.41			
	-----				
Balance, December 31, 1995	180,772	\$ 9.89	-	\$ 20.625	112,429

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WASHINGTON REAL ESTATE INVESTMENT TRUST  
NOTES TO FINANCIAL STATEMENTS

NOTE H: SHARE OPTIONS (continued)

On June 27, 1990, the then Chairman and Chief Executive Officer was granted non-qualified share options for 150,000 shares at \$11.71, the per share market price on that day. These shares were exercisable 20% at date of grant and 20% upon each anniversary over a four year period. Share options of 60,000 in 1991 and 30,000 in 1992 were exercised leaving 60,000 remaining to be exercised. In June 1995, 56,375 of qualified share options granted to WRIT's former Chairman, B. Franklin Kahn became non-qualified share options, three months after his retirement. These shares are exercisable 10% per year. As of December 31, 1995, 24,162 of these options are exercisable.

On December 19, 1995 the President and Chief Executive Officer of WRIT was granted non-qualified share options for 13,333 at \$14.625, the per share market price that day. On December 14, 1994, non-qualified share options were granted for 9,091 shares at the June 1, 1994 market price of \$19.25. All shares are 50% exercisable after the first anniversary date and 100% exercisable after the second anniversary date. As of December 31, 1995, 4,546 shares are exercisable.

NOTE I: PENSION PLAN AND OTHER BENEFIT PLANS

WRIT maintains a noncontributory defined benefit pension plan for all eligible employees through December 31, 1995. At December 31, 1995, all benefit accruals under the plan were frozen and thus the projected benefit obligation (PBO) and the accumulated benefit obligation (ABO) became equal. WRIT anticipates terminating the plan no later than December 31, 1999. Since there are no further benefit accruals provided under the plan, WRIT has substantially reduced its funding obligation and there will be no further increases in the ABO or PBO. Benefits under the plan were generally based on years of service and final average pay. Pension costs are accrued and funded annually from plan entry date in the plan to projected retirement date and include service costs for benefits earned during the period and interest costs on the projected benefit obligation less the return on plan assets. Pension costs were \$27,000, \$90,000, and \$164,000 in 1995, 1994 and 1993, respectively. The actual return (loss) on plan assets was \$10,000, \$27,000, and \$(31,000) for 1995, 1994 and 1993 respectively. The assumed long-term rate of return is 8.00%. Plan obligations in excess of amounts permitted under the Tax Equity and Fiscal Responsibility Act of 1982 are accrued as a liability of WRIT and included in total pension cost. The funded status of the plan is:

<TABLE>

<CAPTION>

	December 31,	
	1995	1994
	-----	-----
<S>	<C>	<C>
Actuarial present value of benefit obligations:		
Vested benefit obligation	\$1,625,000	\$3,269,000
Accumulated benefit obligation	1,663,000	3,271,000
Projected benefit obligation	1,663,000	3,364,000
Plan assets at market value	1,596,000	3,281,000

</TABLE>

The liabilities are calculated using an assumed discount rate of 8.00% for December 31, 1995 and 1994 and an assumed compensation increase of 5% for 1994.

In 1995, annuity contracts were purchased with plan assets for two participants who retired during 1995, one being WRIT's former Chairman and Chief Executive Officer B. Franklin Kahn. The cost of said annuities was \$1,593,000 and the reduction in the PBO was \$1,632,000.

In 1996, WRIT intends to implement a Retirement Savings Plan (the "Savings Plan"). It will be established so that participants in the savings plan may elect to contribute a portion of their earnings to the Savings Plan and WRIT may, at its discretion, make a voluntary contribution to the Savings Plan.

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WASHINGTON REAL ESTATE INVESTMENT TRUST  
NOTES TO FINANCIAL STATEMENTS

NOTE I: PENSION PLAN AND OTHER BENEFIT PLANS (continued)

Management has adopted a compensation plan for its senior personnel which will align their compensation growth with shareholders' interests. Essentially, the plan limits future salary increases, with an emphasis on cash bonus incentives and a stock option plan based on performance. The financial incentives to management are earned after achieving prescribed growth. This plan is effective for the 1996 year and will be reviewed by the Board of Trustees' compensation Committee each year.

NOTE J: RENTALS UNDER OPERATING LEASES

Noncancelable commercial operating leases provide for minimum rental income during each of the next five years of approximately \$34,921,957, \$27,065,221, \$20,109,678, \$15,816,407, \$9,635,551 and \$12,190,221 thereafter. Apartment leases are not included as they are generally for one year. Most of these commercial rentals increase in future years based on changes in the Consumer Price Index or agreed-upon percentages. Contingent rentals from the shopping centers, based on a percentage of tenants' gross sales, were \$496,000, \$428,000 and \$447,000 in 1995, 1994 and 1993 respectively.

NOTE K: ENVIRONMENTAL MATTERS

New Occupational Safety and Health Administration (OSHA) regulations effective October 1995, require owners of buildings constructed before 1981 to actively determine whether their buildings contain asbestos containing material ("ACM"). WRIT, through the services of an environmental consulting firm, determined that ACM was located within the ceiling plaster above the ceiling tiles in most vacant spaces and some occupied spaces at its 1901 Pennsylvania Avenue office building. In December 1995, WRIT contracted for the removal of the ACM's at 1901 Pennsylvania Avenue in strict accordance with all applicable Federal, State and local codes as well as OSHA regulations. An independent environmental firm was contracted to monitor and enforce this compliance.

WRIT has retained the services of an environmental consulting firm to test for asbestos in 29 of its properties built before 1981 which had no previous and/or current environmental studies performed. The results of these tests are expected to be completed in May, 1996.

A summary of costs associated with these matters are as follows:

<TABLE>		
<S>		
1)	Total Estimated Costs for ACM Removal at 1901 Pennsylvania Avenue	\$469,000
	Total Costs Incurred and Capitalized as of December 31, 1995	\$ 75,000 -----
	Estimated Costs Remaining	\$394,000 =====
2)	Total Environmental Costs for Other Buildings and Survey for 29 buildings	\$192,000
	Total Costs for Other Buildings Incurred and Capitalized as of December 31,1995	\$136,000 -----
	Estimated Costs Remaining (Environmental Survey)	\$ 56,000 =====
</TABLE>		

The management of WRIT anticipates that any additional costs incurred resulting from the environmental survey will not have a material effect on the financial position and results of operations of the company.

NOTE L: SUBSEQUENT EVENT

On March 13, 1996 WRIT acquired Walker House Apartments, a 196 unit 8 story apartment building located in Gaithersburg, Maryland for an acquisition cost of \$10,800,000. WRIT borrowed \$11,000,000 from its line of credit for this acquisition at a rate of 5.78% until July 11, 1996 at which time the rate will adjust (See Note F). Interest only is payable monthly, in arrears, on the unpaid principal balance.

WASHINGTON REAL ESTATE INVESTMENT TRUST  
SUMMARY OF REAL ESTATE INVESTMENTS AND ACCUMULATED DEPRECIATION

<TABLE>  
<CAPTION>

Properties	Location	Initial Cost (b)		Net Improvements (Retirements) since Acquisition
		Land	Building and Improvements	
-----	-----	-----	-----	-----

<S>	<C>	<C>	<C>	<C>
<b>SHOPPING CENTERS</b>				
Concord Centre	Virginia	\$412,500	\$850,038	\$2,644,518
Bradlee	Virginia	4,151,583	5,428,251	3,445,989
Clairmont	Maryland	154,739	891,608	636,474
Dover Mart	Delaware	243,500	463,858	689,376
Chevy Chase Metro Plaza	Washington, D.C.	1,549,262	4,304,434	2,675,195
Prince William Plaza	Virginia	171,482	820,465	562,090
Takoma Park	Maryland	415,200	1,084,453	1,203
Westminster	Maryland	552,745	1,889,032	1,732,596
Wheaton Park	Maryland	622,908	856,683	755,172
Montgomery Village Center	Maryland	11,624,500	9,105,262	491,984
Shoppes of Foxchase	Virginia	5,838,138	2,979,469	646,811
Frederick County Square (e)	Maryland	6,561,293	6,830,250	25,401
		-----	-----	-----
		32,297,850	35,503,803	14,306,809
		-----	-----	-----
<b>OFFICE BUILDINGS</b>				
The WRIT Building	Maryland	222,000	1,690,497	2,969,295
1901 Pennsylvania Avenue	Washington, D.C.	891,600	3,481,239	4,088,839
One Metro Square	Maryland	840,000	10,868,917	5,718,453
444 North Frederick Avenue	Maryland	812,901	3,817,459	1,233,834
7700 Leesburg Pike	Virginia	3,669,464	4,000,406	2,241,601
Arlington Financial Center	Virginia	3,000,000	3,293,122	147,273
515 King Street	Virginia	4,102,276	3,931,408	627,945
The Lexington Building	Maryland	1,179,700	1,262,472	236,969
The Saratoga Building	Maryland	1,464,140	1,554,284	540,861
Brandywine Center	Maryland	718,180	735,381	142,910
Tycon Plaza II	Virginia	3,261,965	7,242,691	513,606
Tycon Plaza III	Virginia	3,254,670	7,794,189	578,989
6110 Executive Boulevard	Maryland	4,621,112	11,895,120	407,843
1220 19th Street	Washington, D.C.	7,802,475	11,366,002	0
		-----	-----	-----
		35,840,483	72,933,187	19,448,418
		-----	-----	-----
<b>APARTMENT BUILDINGS</b>				
Country Club Towers	Virginia	299,389	2,561,473	2,335,376
Munson Hill Towers	Virginia	(a)	3,337,038	3,604,475
Park Adams	Virginia	286,588	1,653,833	2,390,022
Roosevelt Towers	Virginia	335,831	1,996,340	1,613,750
3801 Connecticut Avenue	Washington, D.C.	419,483	2,678,440	3,683,579
		-----	-----	-----
		1,341,291	12,227,124	13,627,202
		-----	-----	-----
<b>INDUSTRIAL DISTRIBUTION CENTERS</b>				
Pepsi-Cola	Maryland	759,927	1,791,754	1,559,917
Capitol Freeway Center	Washington, D.C.	300,000	1,204,748	2,624,258
Department of Commerce	Virginia	346,817	1,008,864	1,291,642
Fullerton	Virginia	950,000	3,317,305	605,730
Ravenworth Center	Virginia	391,490	1,059,291	344,542
Shirley I-395 Business Center	Virginia	652,474	1,264,695	1,030,313
V Street Distribution Center	Washington, D.C.	125,500	317,019	156,996
Charleston Business Center	Maryland	2,044,930	2,090,821	128,235
Tech 100 Industrial Park	Maryland	2,086,212	4,743,720	33,849
Crossroads Distribution Center	Maryland	894,404	1,945,594	0
		-----	-----	-----
		8,551,754	18,743,811	7,775,482
		-----	-----	-----
Totals		\$78,031,378	\$139,407,925	\$55,157,911
		=====	=====	=====

<CAPTION>

Properties	Gross Amounts at which carried at December 31, 1995			Accumulated Depreciation at December 31, 1995	Date of Construction
	Buildings and Improvements		Total (d)		
	Land				
<S>	<C>	<C>	<C>	<C>	<C>
<b>SHOPPING CENTERS</b>					
Concord Centre	\$412,500	\$3,494,556	\$3,907,056	\$931,555	1960
Bradlee	4,151,583	8,874,240	13,025,823	2,716,337	1955
Clairmont	154,739	1,528,082	1,682,821	641,328	1965
Dover Mart	243,500	1,153,234	1,396,734	402,814	1960
Chevy Chase Metro Plaza	1,549,262	6,979,629	8,528,891	990,830	1975
Prince William Plaza	171,482	1,382,555	1,554,037	582,459	1967
Takoma Park	415,200	1,085,656	1,500,856	732,347	1962
Westminster	552,745	3,621,628	4,174,373	1,726,071	1969
Wheaton Park	622,908	1,611,855	2,234,763	410,915	1967
Montgomery Village Center	11,624,500	9,597,246	21,221,746	554,996	1969
Shoppes of Foxchase	5,838,138	3,626,280	9,464,418	97,386	1960
Frederick County Square (e)	6,561,293	6,855,651	13,416,944	82,621	1973
	-----	-----	-----	-----	-----
	32,297,850	49,810,612	82,108,462	9,869,659	
	-----	-----	-----	-----	-----
<b>OFFICE BUILDINGS</b>					
The WRIT Building	222,000	4,659,792	4,881,792	1,307,759	1965

1901 Pennsylvania Avenue	891,600	7,570,078	8,461,678	2,837,693	1960
One Metro Square	840,000	16,587,370	17,427,370	5,395,525	1975
444 North Frederick Avenue	812,901	5,051,293	5,864,194	485,222	1981
7700 Leesburg Pike	3,669,464	6,242,007	9,911,471	450,942	1976
Arlington Financial Center	3,000,000	3,440,395	6,440,395	239,538	1963
515 King Street	4,102,276	4,559,353	8,661,629	285,156	1966
The Lexington Building	1,179,700	1,499,441	2,679,141	30,706	1970
The Saratoga Building	1,464,140	2,095,145	3,559,285	51,926	1977
Brandywine Center	718,180	878,291	1,596,471	24,569	1969
Tycon Plaza II	3,261,965	7,756,297	11,018,262	229,055	1981
Tycon Plaza III	3,254,670	8,373,178	11,627,848	225,146	1978
6110 Executive Boulevard	4,621,112	12,302,963	16,924,075	385,219	1971
1220 19th Street	7,802,475	11,366,002	19,168,477	62,398	1976
	-----	-----	-----	-----	
	35,840,483	92,381,605	128,222,088	12,010,854	
	-----	-----	-----	-----	

APARTMENT BUILDINGS

Country Club Towers	299,389	4,896,849	5,196,238	2,454,666	1965
Munson Hill Towers	(a)	6,941,513	6,941,513	3,389,428	1963
Park Adams	286,588	4,043,855	4,330,443	1,836,229	1959
Roosevelt Towers	335,831	3,610,090	3,945,921	1,847,471	1964
3801 Connecticut Avenue	419,483	6,362,019	6,781,502	3,560,484	1951
	-----	-----	-----	-----	
	1,341,291	25,854,326	27,195,617	13,088,278	
	-----	-----	-----	-----	

INDUSTRIAL DISTRIBUTION CENTER

Pepsi-Cola	759,927	3,351,671	4,111,598	481,661	1971
Capitol Freeway Center	300,000	3,829,006	4,129,006	1,469,734	1940
Department of Commerce	346,817	2,300,506	2,647,323	1,432,241	1964
Fullerton	950,000	3,923,035	4,873,035	785,004	1980
Ravenworth Center	391,490	1,403,833	1,795,323	266,697	1965
Shirley I-395 Business Center	652,474	2,295,008	2,947,482	1,208,762	1960
V Street Distribution Center	125,500	474,015	599,515	203,889	1960
Charleston Business Center	2,044,930	2,219,056	4,263,986	91,570	1973
Tech 100 Industrial Park	2,086,212	4,777,569	6,863,781	111,283	1990
Crossroads Distribution Center	894,404	1,945,594	2,839,998	1,954	1987
	-----	-----	-----	-----	
	8,551,754	26,519,293	35,071,047	6,052,795	
	-----	-----	-----	-----	

Totals	\$78,031,378	\$194,565,836	\$272,597,214	\$41,021,586	
	=====	=====	=====	=====	

<CAPTION>

Properties	Date of Acquisition		Net Rentable Square Feet (f)	Depreciation Life (c)
-----	-----	-----	-----	-----
<S>	<C>	<C>	<C>	<C>
SHOPPING CENTERS				
Concord Centre	December	1973	76,383	33 Years
Bradlee	December	1984	167,974	40 Years
Clairmont	December	1976	40,455	39 Years
Dover Mart	January	1973	44,044	40 Years
Chevy Chase Metro Plaza	September	1985	49,893	50 Years
Prince William Plaza	August	1968	54,584	50 Years
Takoma Park	July	1963	58,811	50 Years
Westminster	September	1972	171,531	37 Years
Wheaton Park	September	1977	46,716	49 Years
Montgomery Village Center	December	1992	196,464	50 Years
Shoppes of Foxchase	June	1994	127,564	50 Years
Frederick County Square (e)	August	1995	232,783	30 Years
			-----	
			1,267,202	
			-----	
OFFICE BUILDINGS				
The WRIT Building	August	1979	65,653	31 Years
1901 Pennsylvania Avenue	May	1977	97,036	28 Years
One Metro Square	August	1979	206,144	41 Years
444 North Frederick Avenue	October	1989	65,463	50 Years
7700 Leesburg Pike	October	1990	122,497	50 Years
Arlington Financial Center	June	1992	51,655	50 Years
515 King Street	July	1992	78,073	50 Years
The Lexington Building	November	1993	47,751	50 Years
The Saratoga Building	November	1993	58,237	50 Years
Brandywine Center	November	1993	34,982	50 Years
Tycon Plaza II	June	1994	139,938	50 Years
Tycon Plaza III	June	1994	151,594	50 Years
6110 Executive Boulevard	January	1995	198,796	30 Years
1220 19th Street	November	1995	104,033	30 Years
			-----	
			1,421,852	
			-----	
APARTMENT BUILDINGS				
Country Club Towers	July	1969	276,000	35 Years
Munson Hill Towers	January	1970	340,000	33 Years
Park Adams	January	1969	210,000	35 Years
Roosevelt Towers	May	1965	229,000	40 Years
3801 Connecticut Avenue	January	1963	242,000	30 Years
			-----	



1,297,000

INDUSTRIAL DISTRIBUTION CENTERS

Pepsi-Cola	October	1987	68,750	40 Years
Capitol Freeway Center	July	1974	145,000	25 Years
Department of Commerce	December	1971	105,000	43 Years
Fullerton	September	1985	103,339	50 Years
Ravensworth Center	December	1986	29,000	40 Years
Shirley I-395 Business Center	September	1961	112,585	40 Years
V Street Distribution Center	October	1973	30,753	40 Years
Charleston Business Center	November	1993	85,267	50 Years
Tech 100 Industrial Park	May	1995	167,267	30 Years
Crossroads Distribution Center	December	1995	84,550	30 Years

931,511

Totals

4,917,565

</TABLE>

Notes:

- (a) The site of Munson Hill Towers is rented under a lease requiring annual payments of \$22,590 until the expiration of the lease in 2060.
- (b) The purchase of real estate investments has been divided between land and buildings and improvements on the basis of valuations by the Trust.
- (c) The useful life shown is for the main structure. Buildings and improvements are depreciated over various useful lives ranging from 3 to 50 years.
- (d) At December 31, 1995 total land, buildings and improvements are carried at \$258,025,637 for federal income tax purposes.
- (e) At December 31, 1995, the only mortgage encumbrance was the \$7,706,346 mortgage note payable on Frederick County Square.
- (f) Residential properties are presented in gross square feet

WASHINGTON REAL ESTATE INVESTMENT TRUST  
SUMMARY OF REAL ESTATE INVESTMENTS AND ACCUMULATED DEPRECIATION

Continued

The following is a reconciliation of real estate assets and accumulated depreciation for the years ended December 31, 1995, 1994, and 1993:

	Year Ended December 31,		
	1995	1994	1993
Real Estate Assets	-----	-----	-----
<S>	<C>	<C>	<C>
Balance, beginning of period	\$206,377,733	\$170,461,454	
\$155,765,010			
Additions - property acquisitions	58,746,182	30,729,184	
11,049,907			
- improvements	8,123,995	5,786,977	
4,711,662			
Deductions - write-off of fully depreciated assets	(650,696)	(599,882)	
(410,783)			
- sale of 4936 Fairmont	-	-	
(654,342)			
-----	-----	-----	-----
Balance, end of period	\$272,597,214	\$206,377,733	
\$170,461,454			
=====	=====	=====	
Accumulated Depreciation			
Balance, beginning of period	\$36,588,540	\$33,255,332	
\$30,460,618			
Additions - depreciation (a)	5,083,742	3,933,090	
3,616,190			
Deductions - write-off of fully depreciated assets	(650,696)	(599,882)	
(410,783)			

(410,693)	- sale of 4936 Fairmont	-	-
---		-----	-----
Balance, end of period		\$41,021,586	\$36,588,540
\$33,255,332		=====	=====
---			-----

(a) Total depreciation charged to income in 1995, 1994, and 1993, respectively, consists of the following:

	1995	1994
1993		
-----	-----	-----
<S>	<C>	<C>
<C>		
Depreciation on real estate investments	\$5,083,742	\$3,933,090
\$3,616,190		
Depreciation on office furniture, fixtures and equipment (included in general and administrative expenses)	47,745	45,211
39,612		
-----	-----	-----
	\$5,131,487	\$3,978,301
\$3,655,802	=====	=====
=====		

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WASHINGTON REAL ESTATE INVESTMENT TRUST  
MORTGAGE NOTE RECEIVABLE

SCHEDULE IV

of Description Mortgages	Interest Rate	Final Maturity Date	Periodic Payment Terms	Prior Liens	Face Amount
-----	-----	-----	-----	-----	-----
<S>	<C>	<C>		<C>	<C>
Mortgage note receivable dated June 28, 1993, and First Modification dated February 2, 1996, secured by a first lien deed of trust and security agreement.	9.00%	June 1, 2006	9% interest only from July 1, 1993 until Dec. 28, 1993. On Dec. 28, 1993, principal payment of \$70,000 due. 9% interest only from Dec. 28, 1993 until June 30, 1996. Interest and principal based upon a 30 year amortization, bearing interest at the rate of 12%, due monthly from July 1, 1996 until June 1, 2006 at which time all accrued and unpaid interest and principal are due in full.	N/A	\$874,000

<CAPTION>

Description	Carrying Amount of Mortgages (2)	Principal Amount of Mortgage subject to delinquent principal or interest
-----	-----	-----
<S>	<C>	<C>
Mortgage note receivable dated June 28, 1993, and First Modification dated February 2, 1996, secured by a first lien deed of trust and security agreement.	\$800,000(1)	None

</TABLE>

(1) Reconciliation of Carrying Amount:

Face amount July 1, 1993	\$874,000
Principal payment Dec. 28, 1993	(74,000)
	-----
Carrying amount at Dec. 31, 1995 and 1994	\$800,000
	=====

(2) Aggregate cost is equal to cost for Federal income tax purposes.

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SUPPLEMENTARY INFORMATION:  
QUARTERLY FINANCIAL RESULTS (Unaudited)

<TABLE>  
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	Quarter			
1995	First	Second	Third	Fourth
----	-----	-----	-----	-----
<S>	<C>	<C>	<C>	<C>
Real estate rental revenue	\$12,463,950	\$12,827,773	\$13,273,490	\$14,032,284
Net income	6,159,411	6,198,440	6,835,409	6,910,069
Net income per share	\$0.22	\$0.22	\$0.22	\$0.22
1994				
----				
Real estate rental revenue	\$11,312,489	\$10,758,614	\$11,759,339	\$11,681,040
Net income	5,805,007	5,827,737	5,846,949	5,642,547
Net income per share	\$0.21	\$0.21	\$0.21	\$0.20
1993				
----				
Real estate rental revenue	\$9,758,105	\$9,713,873	\$9,904,958	\$9,998,346
Net income	5,770,868	5,580,892	5,535,365	5,619,095
Net income per share	\$0.20	\$0.20	\$0.20	\$0.20

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CREDIT AGREEMENT

DATED AS OF MARCH 1, 1995

AMONG

WASHINGTON REAL ESTATE INVESTMENT TRUST,

AS BORROWER

AND

THE FIRST NATIONAL BANK OF CHICAGO,

AS LENDER

AND

THE FIRST NATIONAL BANK OF CHICAGO,

AS AGENT

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Exhibits:  
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- Exhibit A            Form of Note
- Exhibit B            Form of Opinion
- Exhibit C            Form of Compliance Certificate
- Exhibit D            Form of Assignment Agreement

## Schedules:

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## CREDIT AGREEMENT

This Agreement, dated as of March 1, 1995, is among Washington Real Estate Investment Trust, a real estate investment trust organized under the laws of the District of Columbia (the "Borrower"), The First National Bank of Chicago, a national banking association (the "Lender"), and The First National Bank of Chicago, as "Agent."

## RECITALS

A.       The Borrower is primarily engaged in the business of purchasing, developing, owning, operating and renovating apartment buildings, shopping centers, office buildings, business centers and warehouses.

B.       The Borrower is listed on the American Stock Exchange and is qualified as a real estate investment trust.

C.       The Borrower has requested that the Lender make loans available to them pursuant to the terms of this Agreement. The Agent and the Lender have agreed to do so.

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

## ARTICLE I

## DEFINITIONS

As used in this Agreement:

"Acquisition" means any transaction, or any series of related transactions, consummated on or after the date of this Agreement, by which the Borrower or any of its Subsidiaries (i) acquires any going business or all or substantially all of the assets of any firm, corporation or division thereof, whether through purchase of assets, merger or otherwise or (ii) directly or indirectly acquires (in one transaction or as the most recent transaction in a series of transactions) at least a majority (in number of votes) of the securities of a corporation which have ordinary voting power for the election of directors (other than securities having such power only by reason of the happening of a contingency) or a majority (by percentage or voting power) of the outstanding partnership interests of a partnership.

"Advance" means a borrowing hereunder consisting of the aggregate amount of the several Loans made by the Lenders to the Borrower of the same Type and, in the case of LIBOR Advances, for the same Interest Period.

"Affiliate" of any Person means any other Person directly or indirectly controlling, controlled by or under common control with such Person. A Person shall be deemed to control another Person if the controlling Person owns 10% or more of any class of voting

securities (or other ownership interests) of the controlled Person or possesses, directly or indirectly, the power to direct or cause the direction of the management or policies of the controlled Person, whether through ownership of stock, by contract or otherwise. Lender acknowledges and agrees that until such time as CSN's (the current property manager for Borrower's properties) financial results are reported on a consolidated basis with the financial results of Borrower, then CSN shall not be considered an "Affiliate" of Borrower.

"Agent" means The First National Bank of Chicago in its capacity as agent for the Lenders pursuant to Article X, and not in its individual capacity as a Lender, and any successor Agent appointed pursuant to Article X.

"Aggregate Commitment" means the aggregate of the Commitments of all the Lenders (not to exceed the Maximum Aggregate Commitment), as modified from time to time pursuant to the terms hereof.

"Agreement" means this Credit Agreement, as it may be amended or modified and in effect from time to time.



"Applicable Margin" is defined in Section 2.4.

"Article" means an article of this Agreement unless another document is specifically referenced.

"Authorized Officer" means any of the Chief Executive Officer, President, Chief Financial Officer or Chief Accounting Officer of the Borrower, acting singly.

"Borrower" means Washington Real Estate Investment Trust, a real estate investment trust organized under the laws of the District of Columbia, and its successors and assigns.

"Borrowing Date" means a date on which an Advance is made hereunder.

"Borrowing Notice" is defined in Section 2.9.

"Business Day" means (i) with respect to any borrowing, payment or rate selection of LIBOR Advances, a day (other than a Saturday or Sunday) on which banks generally are open in Chicago, Illinois and New York, New York for the conduct of substantially all of their commercial lending activities and on which dealings in United States dollars are carried on in the London interbank market and (ii) for all other purposes, a day (other than a Saturday or Sunday) on which banks generally are open in Chicago, Illinois for the conduct of substantially all of their commercial lending activities.

"Calculation Date" is defined in Section 2.4.

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"Capital Stock" means any and all shares, interests, participations or other equivalents (however designated) of capital stock of a corporation, any and all equivalent ownership interests in a Person (other than a corporation) and any and all warrants or options to purchase any of the foregoing.

"Cash Flow to Debt Service Ratio" means, as for any date for any period, the ratio calculated by dividing (x) actual EBITDA for such period, by (y) Consolidated Debt Service for such period.

"CBR Advance" means an Advance which bears interest at the CBR Rate.

"CBR Applicable Margin" means, as of any date, the Applicable Margin in effect as determined in accordance with Section 2.4 hereof.

"CBR Loan" means a Loan which bears interest at the CBR Rate.

"CBR Rate" means, for any day, a rate per annum equal to (i) the Corporate Base Rate in effect on such day, plus (ii) the CBR Applicable Margin.

"Closing Date" means the date that all the conditions precedent to the initial Advance, as specified in Section 4.1, have been satisfied; provided, however, that the obligations of the Lenders to make Loans hereunder shall automatically terminate if such date does not occur on or before March 10, 1995.

"Code" means the Internal Revenue Code of 1986, as amended, reformed or otherwise modified from time to time.

"Commitment Fee" is defined in Section 2.5.

"Commitment" means, for each Lender, the obligation of such Lender to make Loans not exceeding the amount set forth opposite its signature below or as set forth in any Notice of Assignment relating to any assignment that has become effective pursuant to Section 12.3.2, as such amount may be modified from time to time pursuant to the terms hereof.

Condemnation" is defined in Section 7.8.

"Consolidated Debt Service" for any period means (a) Consolidated Interest Expense for such period plus (b) the aggregate amount of scheduled principal payments of Indebtedness (excluding optional prepayments and scheduled principal payments in respect of any Indebtedness which is payable in a single installment at final maturity) required to be made during such period by the Borrower or any of its consolidated Subsidiaries.

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"Consolidated Interest Expense," for any period, means the amount of interest expense of the Borrower and its Subsidiaries for such period on the aggregate principal amount of their Indebtedness, determined on a consolidated basis in accordance with GAAP plus any capitalized interest which accrued during such period.

"Consolidated Net Income," for any period, means consolidated net income (or loss) of the Borrower and its Subsidiaries for such period determined on a consolidated basis in accordance with GAAP; provided that there shall be excluded (a) the income (or deficit) of any other Person accrued prior to the date it becomes a Subsidiary of the Borrower or is merged into or consolidated with the Borrower or any of its Subsidiaries and (b) the undistributed earnings of any Subsidiary to the extent that the declaration or payment of dividends or similar distributions by such Subsidiary is not at the time permitted by the terms of any contractual obligation or requirement of law applicable to such Subsidiary.

"Consolidated Secured Indebtedness," as of any date of determination, means the sum of (a) the aggregate principal amount of all Indebtedness of the Borrower and its Subsidiaries outstanding at such date which does not constitute Unsecured Indebtedness and (b) the excess, if any, of (i) the aggregate principal amount of all Unsecured Indebtedness of the Subsidiaries of the Borrower over (ii) \$10,000,000, determined on a consolidated basis in accordance with GAAP.

"Consolidated Senior Unsecured Indebtedness," as of any date of determination, means the sum of (a) the aggregate principal amount of all Indebtedness of the Borrower and its Subsidiaries outstanding at such date which constitutes Unsecured Indebtedness (excluding (i) Indebtedness which is contractually subordinated to the Indebtedness of the Borrower and its Subsidiaries under the Loan Documents on customary terms acceptable to the Agent, (ii) Indebtedness of the Borrower and its Subsidiaries under the Loan Documents and (iii) Indebtedness incurred pursuant to any commitment referred to in clause (c) below), (b) the aggregate Commitments then in effect under the Facility, and (c) the aggregate commitments then in effect with respect to any other unsecured committed line of credit extended to the Borrower or any of its Subsidiaries, determined on a consolidated basis in accordance with GAAP.

"Consolidated Tangible Net Worth," at any date of determination, means an amount equal to (a) Total Tangible Assets as of such date minus (b) Consolidated Total Indebtedness as of such date.

"Consolidated Total Indebtedness," as of any date of determination, means all Indebtedness of the Borrower and its Subsidiaries outstanding at such date, determined on a consolidated basis in accordance with GAAP.

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"Controlled Group" means all members of a controlled group of corporations and all trades or businesses (whether or not incorporated) under common control which, together with the Borrower or any of its Subsidiaries, are treated as a single employer under Section 414 of the Code.

"Conversion/Continuation Notice" is defined in Section 2.10.

"Corporate Base Rate" means a rate per annum equal to the corporate base rate of interest announced by First Chicago from time to time, changing when and as such corporate base rate changes.

"Crestar Agreement" means the Credit Agreement dated as of August 26, 1994 between the Borrower and Crestar Bank, as the same may be amended from time to time.

"Current DSC Ratio" means, as of any date, the ratio calculated by dividing (x) the actual EBITDA for the most recently completed fiscal quarter, by (y) the actual Consolidated Debt Service for such fiscal quarter.

"Default" means an event described in Article VII.

"EBITDA" means earnings before interest, taxes (other than real estate taxes), depreciation and amortization, all as calculated in accordance with GAAP.

"ERISA" means the Employee Retirement Income Security Act of 1974, as amended from time to time, and any rule or regulation issued thereunder.

"Facility Termination Date" means January 31, 1999.

"Federal Funds Effective Rate" means, for any day, an interest rate per annum equal to the weighted average of the rates on overnight Federal funds

transactions with members of the Federal Reserve System arranged by Federal funds brokers on such day, as published for such day (or, if such day is not a Business Day, for the immediately preceding business Day) by the Federal Reserve Bank of New York, or, if such rate is not so published for any day which is a Business Day, the average of the quotations at approximately 10 a.m. (Chicago time) on such day on such transactions received by the Agent from three Federal funds brokers of recognized standing selected by the Agent in its sole discretion.

"Financing Lease" means any lease of property, real or personal, the obligations of the lessee in respect of which are, in accordance with GAAP, capitalized on a balance sheet of the lessee.

"First Chicago" means The First National Bank of Chicago in its individual capacity as a Lender. and its successors.

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"Funded Percentage" means, with respect to any Lender at any time, a percentage equal to a fraction the numerator of which is the amount of the outstanding Advances from such Lender, at such time, and the denominator of which is the outstanding Advances from all of the Lenders at such time.

"Funds From Operations," for any period, means Consolidated Net Income for such period as adjusted by (i) excluding gains and losses from property sales, debt restructuring and property write-downs and adjusted for the non-cash effect of straight-lining of rents, (ii) to the extent not already accomplished under GAAP, straight-lining various ordinary operating expenses which are payable less frequently than monthly (e.g. real estate taxes), and (iii) adding back depreciation, amortization and all non-cash items.

"GAAP" means generally accepted accounting principles in the United States of America as in effect from time to time, applied in a manner consistent with that used in preparing the financial statements referred to in Section 6.1.

"Guarantee Obligation" means, as to any Person (the "guaranteeing person"), any obligation (determined without duplication) of (a) the guaranteeing person or (b) another Person (including, without limitation, any bank under any letter of credit) to induce the creation of which the guaranteeing person has issued a reimbursement, counterindemnity or similar obligation, in either case guaranteeing or in effect guaranteeing any Indebtedness, leases, dividends or other obligations (the "primary obligations") of any other third Person (the "primary obligor") in any manner, whether directly or indirectly, including, without limitation, any obligation of the guaranteeing person, whether or not contingent, (i) to purchase any such primary obligation or any property constituting direct or indirect security therefor, (ii) to advance or supply funds (1) for the purchase or payment of any such primary obligation or (2) to maintain working capital or equity capital of the primary obligor or otherwise to maintain the net worth or solvency of the primary obligor, (iii) to purchase property, securities or services primarily for the purpose of assuring the owner of any such primary obligation of the ability of the primary obligor to make payment of such primary obligation or (iv) otherwise to assure or hold harmless the owner of any such primary obligation against loss in respect thereof; provided, however, that the term Guarantee Obligation shall not include endorsements of instruments for deposit or collection in the ordinary course of business. The amount of any Guarantee Obligation of any guaranteeing person shall be deemed to be the maximum stated amount of the primary obligation relating to such Guarantee Obligation (or, if less, the maximum stated liability set forth in the instrument embodying such Guarantee Obligation), provided, that in the absence of any such stated amount or stated liability, the amount of such Guarantee Obligation shall be such guaranteeing person's maximum reasonably anticipated liability in respect thereof as determined by the Borrower in good faith.

"Indebtedness" of any Person at any date means without duplication, (a) all indebtedness of such Person for borrowed money (including liabilities arising under Financing Leases), (b) all obligations of such Person for the deferred purchase price of property or

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services (other than current trade liabilities incurred in the ordinary course of business and payable in accordance with customary practices), to the extent such obligations constitute indebtedness for the purposes of GAAP, (c) any other indebtedness of such Person which is evidenced by a note, bond, debenture

or similar instrument, (d) all obligations of such Person in respect of acceptances issued or created for the account of such Person, (e) all Guarantee Obligations of such Person (excluding, in the case of the Borrower, Guarantee Obligations of the Borrower in respect of primary obligations of any Subsidiary), and (f) all liabilities secured by any lien (other than liens for taxes not yet due and payable) on any property owned by such Person even though such Person has not assumed or otherwise become liable for the payment thereof.

"Interest Period" means, with respect to a LIBOR Advance, a period of one, two, three, six, nine or twelve months commencing on a Business Day selected by the Borrower pursuant to this Agreement. Such Interest Period shall end on (but exclude) the day which corresponds numerically to such date one, two, three, six, nine or twelve months thereafter, provided, however, that if there is no such numerically corresponding day in such next, second, third, sixth, ninth or twelfth succeeding month, such Interest Period shall end on the last Business Day of such next, second, third, sixth, ninth or twelfth succeeding month. If an Interest Period would otherwise end on a day which is not a Business Day, such Interest Period shall end on the next succeeding Business Day, provided, however, that if said next succeeding Business Day falls in a new calendar month, such Interest Period shall end on the immediately preceding Business Day.

"Lenders" means the lending institutions listed on the signature pages of this Agreement, their respective successors and assigns and any other lending institutions that subsequently become parties to this Agreement.

"Lending Installation" means, with respect to a Lender, any office, branch, subsidiary or affiliate of such Lender.

"Letter of Credit" of a Person means a letter of credit or similar instrument which is issued upon the application of such Person or upon which such Person is an account party or for which such Person is in any way liable.

"LIBOR Advance" means an Advance which bears interest at a LIBOR Rate.

"LIBOR Applicable Margin" means, as of any date with respect to any Interest Period, the Applicable Margin in effect for such Interest Period as determined in accordance with Section 2.4 hereof.

"LIBOR Base Rate" means, with respect to a LIBOR Advance for the relevant Interest Period, the rate determined by the Agent to be the rate at which deposits in U.S. dollars are offered by the Agent to first-class banks in the London interbank market at approximately a.m. (London time) two Business Days prior to the first day of such Interest Period, in the

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approximate amount of the relevant LIBOR Advance and having a maturity approximately equal to such Interest Period.

"LIBOR Loan" means a Loan which bears interest at a LIBOR Rate.

"LIBOR Rate" means, with respect to a LIBOR Advance for the relevant Interest Period, the sum of (i) the quotient of (a) the LIBOR Base Rate applicable to such Interest Period, divided by (b) one minus the Reserve Requirement (expressed as a decimal) applicable to such Interest Period, plus (ii) the LIBOR Applicable Margin in effect on the day that such LIBOR Base Rate was determined. The LIBOR Rate shall be rounded to the next higher multiple of 1/16 of 1% if the rate is not such a multiple.

"Lien" means any lien (statutory or other), mortgage, pledge, hypothecation, assignment, deposit arrangement, encumbrance or preference, priority or other security agreement or preferential arrangement of any kind or nature whatsoever (including, without limitation, the interest of a vendor or lessor under any conditional sale, capitalized lease or other title retention agreement).

"Loan" means, with respect to a Lender, such Lender's portion of any Advance.

"Loan Documents" means this Agreement, the Note(s) and any other document from time to time evidencing or securing indebtedness incurred by the Borrower under this Agreement, as any of the foregoing may be amended or modified from time to time.

"Loan Year" means the period of 12 months ending on the first anniversary of the date of this Agreement, and thereafter, each succeeding 12 month period ending on an anniversary of the date of this Agreement.

"Material Adverse Effect" means a material adverse effect on (i) the business, Property, condition (financial or otherwise), results of operations,

or prospects of the Borrower and its Subsidiaries taken as a whole, (ii) the ability of the Borrower to perform its obligations under the Loan Documents, or (iii) the validity or enforceability of any of the Loan Documents or the rights or remedies of the Agent or the Lenders thereunder.

"Maximum Aggregate Commitment" means \$25,000,000, or at any time such other amount as has been approved by all of the Lenders.

"Moody's" means Moody's Investors Service, Inc. and its successors.

"Multiemployer Plan" means a Plan maintained pursuant to a collective bargaining agreement or any other arrangement to which the Borrower or any member of the Controlled Group is a party to which more than one employer is obligated to make contributions.

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"Note" means a promissory note, in substantially the form of Exhibit A hereto, duly executed by the Borrower and payable to the order of a Lender in the amount of its Commitment, including any amendment, modification, renewal or replacement of such promissory note.

"Notice of Assignment" is defined in Section 12.3.2.

"Obligations" means all unpaid principal of and accrued and unpaid interest on the Notes, all accrued and unpaid fees and all expenses, reimbursements, indemnities and other obligations of the Borrower to the Lenders or to any Lender, the Agent or any indemnified party hereunder arising under the Loan Documents.

"Office Building Assets" means all office buildings owned by Borrower from time to time.

"Participants" is defined in Section 12.2.1.

"Payment Date" means, with respect to the payment of interest accrued on any Advance, the first day of each calendar month.

"PBGC" means the Pension Benefit Guaranty Corporation, or any successor thereto.

"Percentage" means, with respect to each Lender, the applicable percentage of the then-current Aggregate Commitment represented by such Lender's then-current Commitment.

"Permitted Acquisitions" are defined in Section 6.16.

"Permitted Liens" are defined in Section 6.17.

"Person" means any natural person, corporation, firm, joint venture, partnership, association, enterprise, trust or other entity or organization, or any government or political subdivision or any agency, department or instrumentality thereof.

"Plan" means an employee pension benefit plan which is covered by Title IV of ERISA or subject to the minimum funding standards under Section 412 of the Code as to which the Borrower or any member of the Controlled Group may have any liability.

(ii) The definitions of "Projected EBITDA" and "Projected Consolidated Interest Expense" are hereby deleted from the Credit Agreement.

"Property" of a Person means any and all property, whether real, personal, tangible, intangible, or mixed, of such Person, or other assets owned, leased or operated by such Person.

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"Public Debt Rating Date" means the date, if any, on which Borrower first obtains an investment grade public debt rating on long-term senior Unsecured Indebtedness from S&P and/or Moody's.

"Purchasers" is defined in Section 12.3.1.

"Regulation U" means Regulation U of the Board of Governors of the Federal Reserve System as from time to time in effect and any successor or other regulation or official interpretation of said Board of Governors relating

to the extension of credit by banks for the purpose of purchasing or carrying margin stocks applicable to member banks of the Federal Reserve System.

"Reportable Event" means a reportable event as defined in Section 4043 of ERISA and the regulations issued under such section, with respect to a Plan, excluding, however, such events as to which the PBGC by regulation waived the requirement of Section 4043(a) of ERISA that it be notified within 30 days of the occurrence of such event, provided, however, that a failure to meet the minimum funding standard of Section 412 of the Code and of Section 302 of ERISA shall be a Reportable Event regardless of the issuance of any such waiver of the notice requirement in accordance with either Section 4043(a) of ERISA or Section 412(d) of the Code.

"Required Lenders" means Lenders in the aggregate having at least 6-2/3% of the Aggregate Commitment or, if the Aggregate Commitment has been terminated, Lenders in the aggregate holding at least 66-2/3% of the aggregate unpaid principal amount of the outstanding Advances.

"Reserve Requirement" means, with respect to an Interest Period, the maximum aggregate reserve requirement on Eurocurrency liabilities. On the date of this Agreement First Chicago's Reserve Requirement is 0.

"Section" means a numbered section of this Agreement, unless another document is specifically referenced.

"Single Employer Plan" means a Plan maintained by the Borrower or any member of the Controlled Group for employees of the Borrower or any member of the Controlled Group.

"Subsidiary," as to any Person, means a corporation, partnership or other entity of which shares of stock or other ownership interests having ordinary voting power (other than stock or such other ownership interests having such power only by reason of the happening of a contingency) to elect a majority of the board of directors or other managers of such corporation, partnership or other entity are at the time owned, or the management of which is otherwise controlled, directly or indirectly through one or more intermediaries, or both, by such Person. Unless otherwise qualified, all references to a "Subsidiary" or to "Subsidiaries" in this Agreement shall refer to a Subsidiary or Subsidiaries of the Borrower.

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"Substantial Portion" means, with respect to the Property of the Borrower and its Subsidiaries, Property which (i) represents more than 15% of the consolidated assets of the Borrower and its Subsidiaries as would be shown in the consolidated financial statements of the Borrower as at the beginning of the twelve-month period ending with the month in which such determination is made, or (ii) is responsible for more than 10% of the consolidated net sales or of the consolidated net income of the Borrower and its Subsidiaries as reflected in the financial statements referred to in clause (i) above.

"S&P" means Standard & Poor's Ratings Group and its successors.

"Total Tangible Assets," of any Person at any date, means the current book value of the total assets of such Person other than that portion of such Person's assets that constitute intangible assets as determined in accordance with GAAP plus accumulated depreciation on the depreciable assets (excluding intangible assets) from such Person's original book value of such assets which is reflected in the current book value of such assets.

"Transferee" is defined in Section 12.4.

"Type" means, with respect to any Advance, its nature as a CBR Advance or a LIBOR Advance.

"Unencumbered Asset," with respect to any asset, at any date of determination, means the circumstance that such asset on such date (a) is not subject to any Liens of any kind, other than Permitted Liens (excluding however Permitted Liens of the type contemplated by the penultimate paragraph of Section 6.17 hereof), (b) is not subject to any agreement (including (i) any agreement governing Indebtedness incurred in order to finance or refinance the acquisition of such asset), and (ii) if applicable, the organizational documents of any Subsidiary) (other than the Crestar Agreement, the terms of which restrict Borrower's ability to encumber certain of Borrower's assets) which prohibits or limits the ability of the Borrower or any of its Subsidiaries to create, incur, assume or suffer to exist any Lien upon any assets or Capital Stock of the Borrower or any of its Subsidiaries (excluding any agreement which limits generally the amount of secured Indebtedness which may be incurred by the Borrower and its Subsidiaries), and (c) is not subject to any agreement (including any agreement governing Indebtedness incurred in order to finance or refinance the acquisition of such asset, but excluding the

terms of the Crestar Agreement) which entitles any Person to the benefit of any Lien (other than Permitted Liens) on any assets or Capital Stock of the Borrower or any of its Subsidiaries, or would entitle any Person to the benefit of any Lien (other than Permitted Liens) on such assets or Capital Stock upon the occurrence of any contingency (including, without limitation, pursuant to an "equal and ratable" clause). For the purposes of this Agreement, any Property of a Subsidiary which is not a Wholly-Owned Subsidiary shall not be deemed to be unencumbered unless both (i) such Property and (ii) all Capital Stock of such Subsidiary held by the Borrower is unencumbered.

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"Unfunded Liabilities" means the amount (if any) by which the present value of all vested nonforfeitable benefits under all Single Employer Plans exceeds the fair market value of all such Plan assets allocable to such benefits, all determined as of the then most recent valuation date for such Plans.

"Unmatured Default" means an event which but for the lapse of time or the giving of notice, or both, would constitute a Default.

"Unsecured Indebtedness" means all Indebtedness of any Person that is not secured by a Lien on any income, Capital Stock, Property or any other asset of such Person.

"Unused Facility Fee" is defined in Section 2.6.

"Value of Unencumbered Assets," as of any date, means the gross book value, as determined in accordance with GAAP, of all Unencumbered Assets owned by the Borrower or any of its Subsidiaries as of such date.

"Wholly-Owned Subsidiary" of a Person means (i) any Subsidiary all of the outstanding voting securities of which shall at the time be owned or controlled, directly or indirectly, by such Person or one or more Wholly-Owned Subsidiaries of such Person, or by such Person and one or more Wholly-Owned Subsidiaries of such Person, or (ii) any partnership, association, joint venture or similar business organization 100% of the ownership interests having ordinary voting power of which shall at the time be so owned or controlled.

The foregoing definitions shall be equally applicable to both the singular and plural forms of the defined terms.

## ARTICLE II

### THE CREDIT

2.1. Commitment. From and including the date of this Agreement and prior to the Facility Termination Date, each Lender severally agrees, on the terms and conditions set forth in this Agreement, to make Loans to the Borrower from time to time in amounts not to exceed in the aggregate at any one time outstanding the amount of its Commitment. Subject to the terms of this Agreement, the Borrower may borrow, repay and reborrow at any time prior to the Facility Termination Date. The Commitments to lend hereunder shall expire on the Facility Termination Date.

2.2. Final Principal Payment. Any outstanding Advances and all other unpaid Obligations shall be paid in full by the Borrower on the Facility Termination Date.

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2.3. Ratable Loans. Each Advance hereunder shall consist of Loans made from the several Lenders ratably in proportion to the ratio that their respective Commitments bear to the Aggregate Commitment. The Advances may be CBR Advances or LIBOR Advances, or a combination thereof, selected by the Borrower in accordance with Sections 2.9 and 2.10. If any Lender shall default in its obligation to fund all or a portion of its Percentage of any Advance (a "Defaulting Lender"), then simultaneously with any funding by any of the remaining Lenders (each, a "Funding Lender") of their respective Percentages of such Advance (such an Advance is sometimes referred to herein as a "Partial Advance"), the respective Funded Percentages of each Defaulting Lender and of each Funding Lender shall automatically be adjusted so that following such adjustment each Lender's Funded Percentage shall correspond to the aggregate percentage of all then outstanding Advances (including all Partial Advances) made by such Lender. Following any adjustment of each Lender's Funded Percentage pursuant to the preceding sentence such Lender's Funded Percentage

shall be readjusted only upon the first to occur of (a) a Defaulting Lender subsequently funding its Percentage of any such Partial Advance, or (b) the repayment in full (including all interest thereon) to each Funding Lender of its Percentage of any such Partial Advance. Notwithstanding anything contained herein to the contrary, in no event shall any Defaulting Lender be entitled to receive any repayment of its Percentage of any Advances (or any interest earned thereon) until such time as the Funding Lenders have received repayment in full of the amount of any Partial Advance, together with all interest thereon. Borrower shall have the right to replace a Defaulting Lender in the manner set forth in Section 3.6 below, and upon the replacement of any Defaulting Lender, such Defaulting Lender shall refund to Borrower the pro rata share of all commitment fees paid to such Defaulting Lender which have not been earned by such Defaulting Lender as of the date of such replacement, determined by multiplying the amount of all commitment fees paid by Borrower to or for the benefit of such Defaulting Lender by a fraction, the numerator of which is the number of months (it being understood and agreed that for purposes of this provision a portion of any month shall constitute a complete "month") which have elapsed in the 48 month Facility term, and the denominator of which is 48. Solely by way of example, if Borrower has paid aggregate commitment fees of \$75,000 to a Defaulting Lender, and Borrower replaces such Defaulting Lender on the second anniversary of the Closing Date, then concurrently with such replacement such Defaulting Lender shall return to Borrower \$37,500 of the \$75,000 in commitment fees.

2.4. Applicable Margins. Prior to the Public Debt Rating Date, the CBR Applicable Margin and the LIBOR Applicable Margin to be used in calculating the interest rate applicable to the different Types of Advances shall vary from time to time in accordance with the Loan Year and the Current DSC Ratio, and shall be adjusted on each Calculation Date (as defined below), as shown in the following tables based on the then applicable Loan Year and the Current DSC Ratio at that time:

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A. Loan Year 1

<TABLE>  
<CAPTION>

		CURRENT DSC RATIO	LIBOR APPLICABLE MARGIN	CBR APPLICABLE MARGIN
<S>	<C>	<C>	<C>	<C>
1.	greater than	8X	0.30%	0%
2.	greater than	6X	0.50%	0%
3.	greater than	4X	1.20%	0%
4.	greater than	3X	1.35%	0.375%
5.	greater than	2.5X	1.50%	0.50%
6.	less than or equal to	2.5X	3.00%	1.50%

</TABLE>

B. Loan Year 2

<TABLE>  
<CAPTION>

		CURRENT DSC RATIO	LIBOR APPLICABLE MARGIN	CBR APPLICABLE MARGIN
<S>	<C>	<C>	<C>	<C>
1.	greater than	8X	0.40%	0%
2.	greater than	6X	0.65%	0%
3.	greater than	4X	1.40%	0.125%
4.	greater than	3X	1.55%	0.50%
5.	greater than	2.5X	1.70%	0.625%
6.	less than or equal to	2.5X	3.25%	1.75%

</TABLE>



C. Loan Year 3

<TABLE>  
<CAPTION>

		CURRENT DSC RATIO	LIBOR APPLICABLE MARGIN	CBR APPLICABLE MARGIN
<S>	<C>	<C>	<C>	<C>
1.	greater than	8X	0.50%	0%
2.	greater than	6X	0.75%	0%
3.	greater than	4X	1.50%	0.125%
4.	greater than	3X	1.65%	0.50%
5.	greater than	2.5X	1.80%	0.625%
6.	less than	2.5X	3.25%	1.75%

</TABLE>

D. Loan Year 4

<TABLE>  
<CAPTION>

		CURRENT DSC RATIO	LIBOR APPLICABLE MARGIN	CBR APPLICABLE MARGIN
<S>	<C>	<C>	<C>	<C>
1.	greater than	8X	0.60%	0%
2.	greater than	6X	0.85%	0%
3.	greater than	4X	1.60%	0.125%
4.	greater than	3X	1.75%	0.50%
5.	greater than	2.5X	1.90%	0.625%
6.	less than or equal to	2.5X	3.25%	1.75%

</TABLE>

The Current DSC Ratio shall be determined quarterly on each March 31, June 30, September 30 and December 31 (each a "Calculation Date") based on information contained in the then most recent Form 10Q or Form 10K filed by Borrower with the Securities Exchange Commission.

From and after the Public Debt Rating Date, the CBR Applicable Margin and the LIBOR Applicable Margin to be used in calculating the interest rate applicable to different Types of Advances shall vary from time to time in accordance with the Loan Year and the lower of Borrower's then applicable (x) Moody's debt rating, and (y) S&P's debt rating, as the case may be (e.g., if the Borrower's Moody's debt rating is Aa2 and its S&P debt rating is AA-, then the Applicable Margins shall be computed based on the S&P rating), and the Applicable Margins shall be adjusted effective, (i) in the case of all then outstanding CBR Advances, on the next Business Day following any change in Borrower's Moody's debt rating and/or S&P's debt rating, as the case may be, and (ii) in the case of any then outstanding LIBOR Advances, on the first day of the next succeeding Interest Period applicable to such LIBOR Advance. The applicable debt ratings and the Applicable Margins are set forth in the following tables:

A. Loan Year 1

<TABLE>  
<CAPTION>

LIBOR

CBR

	S&P Rating -----	Moody's Rating -----	Applicable Margin -----	Applicable Margin -----
<S>	<C>	<C>	<C>	<C>
1.	AA or higher	Aa2 or higher	0.30%	0%
2.	A+ to AA-	A1 to Aa3	0.50%	0%
3.	A- to A	A3 to A2	1.20%	0%
4.	BBB to BBB+	Baa2 to Baa1	1.35%	0.125%
5.	BBB-	Baa3	1.50%	0.25%
6.	Less than BBB-	Less than Baa3	3.00%	1.50%

B. Loan Year 2

<TABLE>  
<CAPTION>

	S&P Rating -----	Moody's Rating -----	LIBOR Applicable Margin -----	CBR Applicable Margin -----
<S>	<C>	<C>	<C>	<C>
1.	AA or higher	Aa2 or higher	0.40%	0%
2.	A- to AA-	A1 to Aa3	0.65%	0%
3.	A- to A	A3 to A2	1.40%	0.125%

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<TABLE>

<S>	<C>	<C>	<C>	<C>
4.	BBB to BBB+	Baa2 to Baa1	1.55%	0.25%
5.	BBB-	Baa3	1.70%	0.375%
6.	Less than BBB-	Less than Baa3	3.25%	1.75%

C. Loan Year 3

<TABLE>  
<CAPTION>

	S&P Rating -----	Moody's Rating -----	LIBOR Applicable Margin -----	CBR Applicable Margin -----
<S>	<C>	<C>	<C>	<C>
1.	AA or higher	Aa2 or higher	0.50%	0%
2.	A- to AA-	A1 to Aa3	0.75%	0%
3.	A- to A	A3 to A2	1.50%	0.125%
4.	BBB to BBB+	Baa2 to Baa1	1.65%	0.25%
5.	BBB-	Baa3	1.80%	0.375%
6.	Less than BBB-	Less than Baa3	3.25%	1.75%

D. Loan Year 4

<TABLE>  
<CAPTION>

	S&P Rating -----	Moody's Rating -----	LIBOR Applicable Margin -----	CBR Applicable Margin -----
<S>	<C>	<C>	<C>	<C>
1.	AA or higher	Aa2 or higher	0.60%	0%
2.	A- to AA-	A1 to Aa3	0.85%	0%

3.	A- to A	A3 to A2	1.60%	0.125%
4.	BBB to BBB+	Baa2 to Baa1	1.75%	0.25%
5.	BBB-	Baa3	1.90%	0.375%
6.	Less than BBB-	Less than Baa3	3.25%	1.75%

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2.5. Commitment Fee. The Borrower agrees to pay to the Agent for the account of each Lender a commitment fee (the "Commitment Fee") equal to fifteen one hundredths of one percent (0.15%) of the Aggregate Commitment (as such amount may be changed from time to time pursuant to the terms hereof to an amount not to exceed the Maximum Aggregate Commitment). The Commitment Fee for all Lenders who have provided a Commitment as of the Closing Date shall, to the extent not previously paid, be due and payable on the Closing Date.

2.6. Unused Facility Fee. The Borrower agrees to pay to the Agent for the account of each Lender an unused facility fee (the "Unused Facility Fee") equal to the Applicable Percentage (as defined below) multiplied by the daily unborrowed portion of such Lender's Commitment (calculated as the daily average of the difference between such Lender's Commitment and the then outstanding principal balance owed to such Lender for any calculation period) from the Closing Date to and including the Facility Termination Date, payable quarterly in arrears on each April 1, July 1, October 1 and January 1 during the term, and on the Facility Termination Date, in accordance with the following tables:

A. Prior to the Public Debt Rating Date:

Loan Year 1

<TABLE>  
<CAPTION>

		Current DSC Ratio	Applicable Percentage (per annum)
<S>	<C>	<C>	<C>
1.	greater than	8X	0.15%
2.	greater than	6X	0.20%
3.	greater than	4X	0.25%
4.	greater than	3X	0.25%
5.	greater than	2.5X	0.30%
6.	less than or equal to	2.5X	0.625%

</TABLE>

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Loan Years 2, 3 and 4

<TABLE>  
<CAPTION>

		Current DSC Ratio	Applicable Percentage (per annum)
<S>	<C>	<C>	<C>
1.	greater than	8X	0.20%
2.	greater than	6X	0.25%
3.	greater than	4X	0.25%
4.	greater than	3X	0.30%
5.	greater than	2.5X	0.35%
6.	less than or equal to	2.5X	0.625%

</TABLE>

B. From and after the Public Debt Rating Date:

Loan Year 1

<TABLE>  
<CAPTION>

	S&P Rating -----	Moody's Rating -----	Applicable Percentage (per annum) -----
<S>	<C>	<C>	<C>
1.	AA or higher	Aa2 or higher	0.15%
2.	A+ to AA-	A1 to Aa3	0.20%
3.	A- to A	A3 to A2	0.25%
4.	BBB to BBB+	Baa2 to Baa1	0.25%
5.	BBB-	Baa3	0.30%
6.	Less than BBB-	Less than Baa3	0.625%

</TABLE>

Loan Years 2, 3 and 4

<TABLE>  
<CAPTION>

	S&P Rating -----	Moody's Rating -----	Applicable Percentage (per annum) -----
<S>	<C>	<C>	<C>
1.	AA or higher	Aa2 or higher	0.20%
2.	A+ to AA-	A1 to Aa3	0.25%

</TABLE>

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<TABLE>

3.	A- to A	A3 to A2	0.25%
4.	BBB to BBB+	Baa2 to Baa1	0.30%
5.	BBB-	Baa3	0.35%
6.	Less than BBB-	Less than Baa3	0.625%

</TABLE>

2.7. Minimum Amount of Each Advance. Each LIBOR Advance shall be in the minimum amount of \$1,000,000 (and in multiples of \$250,000 if in excess thereof), and each CBR Advance shall be in the minimum amount of \$1,000,000 (and in multiples of \$250,000 if in excess thereof), provided, however, that any CBR Advance may be in the amount of the unused Aggregate Commitment.

2.8. Optional Principal Payments. The Borrower may from time to time pay, without penalty or premium, all outstanding Advances, or, in a minimum aggregate amount of \$500,000 or any integral multiple of \$250,000 in excess thereof, any portion of the outstanding Advances upon two Business Days' prior notice to the Agent; provided however, that the provisions of Section 3.4 hereof shall be applicable to any prepayment of any LIBOR Advance.

2.9. Method of Selecting Types and Interest Periods for New Advances. The Borrower shall select the Type of Advance and, in the case of each LIBOR Advance, the Interest Period applicable to each Advance from time to time. The Borrower shall give the Agent irrevocable notice (a "Borrowing Notice") not later than 10:00 a.m. (Chicago time) at least one Business Day before the Borrowing Date of each CBR Advance and three Business Days before the Borrowing Date for each LIBOR Advance, specifying:

- (i) the Borrowing Date, which shall be a Business Day, of such Advance,
- (ii) the aggregate amount of such Advance,
- (iii) the Type of Advance selected, and
- (iv) in the case of each LIBOR Advance, the Interest Period applicable thereto.

Not later than noon (Chicago time) on each Borrowing Date, each Lender shall make available its Loan or Loans, in funds immediately available in

Chicago to the Agent at its address specified pursuant to Article VIII. The Agent will make the funds so received from the Lenders available to the Borrower at the Agent's aforesaid address.

No Interest Period may end after the Facility Termination Date and, unless the Lenders otherwise agree in writing, in no event may there be more than five (5) different Interest Periods for LIBOR Advances outstanding at any one time.

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2.10. Conversion and Continuation of Outstanding Advances. CBR Advances shall continue as CBR Advances unless and until such CBR Advances are converted into LIBOR Advances. Each LIBOR Advance shall continue as a LIBOR Advance until the end of the then applicable Interest Period therefor, at which time such LIBOR Advance shall be automatically converted into a CBR Advance unless the Borrower shall have given the Agent a Conversion/Continuation Notice requesting that, at the end of such Interest Period, such LIBOR Advance continue as an LIBOR Advance for the same or another Interest Period. Subject to the terms of Section 2.7, the Borrower may elect from time to time to convert all or any part of an Advance of any Type into any other Type or Types of Advances; provided that any conversion of any LIBOR Advance shall be made on, and only on, the last day of the Interest Period applicable thereto. The Borrower shall give the Agent irrevocable notice (a "Conversion/Continuation Notice") of each conversion of an Advance or continuation of a LIBOR Advance not later than 10:00 a.m. (Chicago time) at least one Business Day, in the case of a conversion into a CBR Advance, or three Business Days, in the case of a conversion into or continuation of a LIBOR Advance, prior to the date of the requested conversion or continuation, specifying:

- (i) the requested date, which shall be a Business Day, of such conversion or continuation;
- (ii) the aggregate amount and Type of the Advance which is to be converted or continued; and
- (iii) the amount and Type(s) of Advance(s) into which such Advance is to be converted or continued and, in the case of a conversion into or continuation of a LIBOR Advance, the duration of the Interest Period applicable thereto.

2.11. Changes in Interest Rate. Etc. Each CBR Advance shall bear interest on the outstanding principal amount thereof, for each day from and including the date such Advance is made or is converted from a LIBOR Advance into a CBR Advance pursuant to Section 2.10 to but excluding the date it becomes due or is converted into a LIBOR Advance pursuant to Section 2.10 hereof, at a rate per annum equal to the CBR Rate for such day. Changes in the rate of interest on that portion of any Advance maintained as a CBR Advance will take effect simultaneously with each change in the Corporate Base Rate. Each LIBOR Advance shall bear interest from and including the first day of the Interest Period applicable thereto to (but not including) the last day of such Interest Period at the interest rate determined as applicable to such LIBOR Advance.

2.12. Rates Applicable After Default. Notwithstanding anything to the contrary contained in Section 2.9 or 2.10, during the continuance of a Default or Unmatured Default the Required Lenders may, at their option, by notice to the Borrower (which notice may be revoked at the option of the Required Lenders notwithstanding any provision of Section 8.2 requiring unanimous consent of the Lenders to changes in interest rates), declare that no

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Advance may be made as, converted into or continued as a LIBOR Advance. During the continuance of a Default the Required Lenders may, at their option, by notice to the Borrower (which notice may be revoked at the option of the Required Lenders notwithstanding any provision of Section 8.2 requiring unanimous consent of the Lenders to changes in interest rates), declare that for the duration of such Default (i) each LIBOR Advance shall bear interest at the rate otherwise applicable to such Interest Period plus 2% per annum and (ii) each CBR Advance shall bear interest at a rate per annum equal to the CBR Rate otherwise applicable to the CBR Advance plus 2% per annum.

2.13. Method of Payment. All payments of the Obligations hereunder shall be made, without setoff, deduction, or counterclaim, in immediately available funds to the Agent at the Agent's address specified pursuant to

Article VIII, or at any other Lending Installation of the Agent specified in writing by the Agent to the Borrower, by noon (local time) on the date when due and shall be applied ratably by the Agent among the Lenders. Each payment delivered to the Agent for the account of any Lender shall be delivered promptly by the Agent to such Lender in the same type of funds that the Agent received at its address specified pursuant to Article VIII or at any Lending Installation specified in a notice received by the Agent from such Lender. The Agent is hereby authorized to charge the account of the Borrower maintained with First Chicago for each payment of principal, interest and fees as it becomes due hereunder.

2.14. Notes; Telephonic Notices. Each Lender is hereby authorized to record the principal amount of each of its Loans and each repayment on the schedule attached to its Note, provided, however, that the failure to so record shall not affect the Borrower's obligations under such Note. The Borrower hereby authorizes the Lenders and the Agent to extend, convert or continue Advances, effect selections of Types of Advances and to transfer funds based on telephonic notices made by any person or persons the Agent or any Lender in good faith believes to be acting on behalf of the Borrower. The Borrower agrees to deliver promptly to the Agent a written confirmation, if such confirmation is requested by the Agent or any Lender, of each telephonic notice signed by an Authorized Officer. If the written confirmation differs from the action taken by the Agent and the Lenders, the records of the Agent and the Lenders shall be presumed (rebuttably) accurate.

2.15. Interest Payment Dates; Interest and Fee Basis. Interest accrued on each CBR Advance shall be payable on each Payment Date, commencing with the first such date to occur after the date hereof, and at maturity. Interest accrued on each LIBOR Advance shall be payable on each Payment Date, commencing with the first such date to occur after the date hereof, on any date on which the LIBOR Advance is prepaid, whether by acceleration or otherwise, and at maturity. Interest and commitment fees shall be calculated for actual days elapsed on the basis of a 360-day year. Interest shall be payable for the day an Advance is made but not for the day of any payment on the amount paid if payment is received prior to noon (local time) at the place of payment. If any payment of principal or interest on an Advance shall become due on a day which is not a Business Day, such payment shall be

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made on the next succeeding Business Day and, in the case of a principal payment, such extension of time shall be included in computing interest in connection with such payment.

2.16. Notification of Advances, Interest Rates and Prepayments. Promptly after receipt thereof, the Agent will notify each Lender of the contents of each Borrowing Notice, Conversion/Continuation Notice, and repayment notice received by it hereunder. The Agent will notify each Lender of the interest rate applicable to each LIBOR Advance promptly upon determination of such interest rate and will give each Lender prompt notice of each change in the Corporate Base Rate.

2.17. Lending Installations. Each Lender may book its Loans at any Lending Installation selected by such Lender and may change its Lending Installation from time to time. All terms of this Agreement shall apply to any such Lending Installation and the Notes shall be deemed held by each Lender for the benefit of such Lending Installation. Each Lender may, by written or telex notice to the Agent and the Borrower, designate a Lending Installation through which Loans will be made by it and for whose account Loan payments are to be made.

2.18. Non-Receipt of Funds by the Agent. Unless the Borrower or a Lender, as the case may be, notifies the Agent prior to the date on which it is scheduled to make payment to the Agent of (i) in the case of a Lender, the proceeds of a Loan or (ii) in the case of the Borrower, a payment of principal, interest or fees to the Agent for the account of the Lenders, that it does not intend to make such payment, the Agent may assume that such payment has been made. The Agent may, but shall not be obligated to, make the amount of such payment available to the intended recipient in reliance upon such assumption. If such Lender or the Borrower, as the case may be, has not in fact made such payment to the Agent, the recipient of such payment shall, on demand by the Agent, repay to the Agent the amount so made available together with interest thereon in respect of each day during the period commencing on the date such amount was so made available by the Agent until the date the Agent recovers such amount at a rate per annum equal to (i) in the case of payment by a Lender, the Federal Funds Effective Rate for such day or (ii) in the case of payment by the Borrower, the interest rate applicable to the relevant Loan.

2.19. Withholding Tax Exemption. At least five Business Days prior to the first date on which interest or fees are payable hereunder for the account of any Lender, each Lender that is not incorporated under the laws of

the United States of America, or a state thereof, agrees that it will deliver to each of the Borrower and the Agent two duly completed copies of United States Internal Revenue Service Form 1001 or 4224, certifying in either case that such Lender is entitled to receive payments under this Agreement and the Notes without deduction or withholding of any United States federal income taxes. Each Lender which so delivers a Form 1001 or 4224 further undertakes to deliver to each of the Borrower and the Agent two additional copies of such form (or a successor form) on or before the date that such form expires (currently, three successive calendar years for Form 1001 and one calendar year for Form 4224) or becomes obsolete or after the occurrence of any event requiring a

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change in the most recent forms so delivered by it, and such amendments thereto or extensions or renewals thereof as may be reasonably requested by the Borrower or the Agent, in each case certifying that such Lender is entitled to receive payments under this Agreement and the Notes without deduction or withholding of any United States federal income taxes, unless an event (including without limitation any change in treaty, law or regulation) has occurred prior to the date on which any such delivery would otherwise be required which renders all such forms inapplicable or which would prevent such Lender from duly completing and delivering any such form with respect to it and such Lender advises the Borrower and the Agent that it is not capable of receiving payments without any deduction or withholding of United States federal income tax.

2.20. Reduction in Aggregate Commitment. Borrower may from time to time during the term of this Facility upon prior written notice to Agent, elect to permanently reduce the amount of the Aggregate Commitment to an amount to be determined by Borrower; provided, however, that in no event shall Borrower be entitled to reduce the Aggregate Commitment below \$15,000,000 pursuant to this Section. Each reduction notice from Borrower as described in the preceding sentence shall be accompanied by payment of any amounts (including any amounts payable by Borrower pursuant to Article III hereof) necessary to reduce the outstanding balance of the Advances to the amount specified in such notice. Each reduction of the Aggregate Commitment shall reduce each Lender's Commitment on a pro rata basis.

### ARTICLE III

#### CHANGE IN CIRCUMSTANCES

3.1. Yield Protection. If any law or any governmental or quasi-governmental rule, regulation, policy, guideline or directive (whether or not having the force of law), or any interpretation thereof, or the compliance of any Lender therewith,

- (i) subjects any Lender or any applicable Lending Installation to any tax, duty, charge or withholding on or from payments due from the Borrower (excluding (i) federal taxation of the net income of any Lender or applicable Lending Installation, (ii) state and local taxation in the jurisdiction where a Lender's home office is situated, (iii) state and local taxation in a jurisdiction other than described in (ii) above to the extent such Lender receives credit on its tax payments in its home jurisdiction for such taxes, and (iv) federal withholding tax imposed on payments due hereunder or under the Notes), or changes the basis of taxation of payments to any Lender in respect of its Loans or other amounts due it hereunder, or

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- (ii) imposes or increases or deems applicable any reserve, assessment, insurance charge, special deposit or similar requirement against assets of, deposits with or for the account of, or credit extended by, any Lender or any applicable Lending Installation (other than reserves and assessments taken into account in determining the interest rate applicable to LIBOR Advances), or
- (iii) imposes any other condition the result of which is to

increase the cost to any Lender or any applicable Lending Installation of making, funding or maintaining loans or reduces any amount receivable by any Lender or any applicable Lending Installation in connection with loans, or requires any Lender or any applicable Lending Installation to make any payment calculated by reference to the amount of loans held or interest received by it, by an amount deemed material by such Lender,

then, within 30 days of demand by such Lender, the Borrower shall pay such Lender that portion of such increased expense incurred or reduction in an amount received which such Lender determines is attributable to making, funding and maintaining its Loans and its Commitment.

3.2. Changes in Capital Adequacy Regulations. If a Lender reasonably determines the amount of capital required or expected to be maintained by such Lender, any Lending Installation of such Lender or any corporation controlling such Lender is increased as a result of a Change (as hereinafter defined), then, within 30 days of demand by such Lender, the Borrower shall pay such Lender the amount necessary to compensate for any shortfall in the rate of return on the portion of such increased capital which such Lender determines is attributable to this Agreement, its Loans or its obligation to make Loans hereunder (after taking into account such Lender's policies as to capital adequacy). "Change" means (i) any change after the date of this Agreement in the Risk-Based Capital Guidelines or (ii) any adoption of or change in any other law, governmental or quasi-governmental rule, regulation, policy, guideline, interpretation, or directive (whether or not having the force of law) after the date of this Agreement which affects the amount of capital required or expected to be maintained by any Lender or any Lending Installation or any corporation controlling any Lender. "Risk-Based Capital Guidelines" means (i) the risk-based capital guidelines in effect in the United States on the date of this Agreement, including transition rules, and (ii) the corresponding capital regulations promulgated by regulatory authorities outside the United States implementing the July 1988 report of the Basle Committee on Banking Regulation and Supervisory Practices Entitled "International Convergence of Capital Measurements and Capital Standards," including transition rules, and any amendments to such regulations adopted prior to the date of this Agreement.

3.3. Availability of LIBOR Advances. If any Lender reasonably determines that maintenance of any of its LIBOR Loans at a suitable Lending Installation would violate any applicable law, rule, regulation or directive, whether or not having the force of law, the Agent

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shall suspend the availability of LIBOR Advances and require any LIBOR Advances to be converted into CBR Advances; or if the Required Lenders reasonably determine that (i) deposits of a type or maturity appropriate to match fund LIBOR Advances are not available, the Agent shall suspend the availability of LIBOR Advances with respect to any Advances made after the date of any such determination, or (ii) an interest rate applicable to a LIBOR Advance does not accurately reflect the cost of making a LIBOR Advance, then, if for any reason whatsoever the provisions of Section 3.1 are inapplicable, the Agent shall suspend the availability of LIBOR Advances with respect to any Advances made after the date of any such determination.

3.4. Funding Indemnification. If any payment of a LIBOR Advance occurs on a date which is not the last day of the applicable Interest Period, whether because of acceleration, prepayment or otherwise, or a LIBOR Advance is not made on the date specified by the Borrower for any reason other than default by the Lenders, the Borrower will indemnify each Lender for any loss or cost incurred by it resulting therefrom, including, without limitation, any loss or cost in liquidating or employing deposits acquired to fund or maintain the LIBOR Advance.

3.5. Lender Statements; Survival of Indemnity. To the extent reasonably possible, each Lender shall designate an alternate Lending Installation with respect to its LIBOR Loans to reduce any liability of the Borrower to such Lender under Sections 3.1 and 3.2 or to avoid the unavailability of a LIBOR Advance under Section 3.3, so long as such designation is not disadvantageous to such Lender. Each Lender shall deliver a written statement of such Lender as to the amount due, if any, under Sections 3.1, 3.2 or 3.4. Such written statement shall set forth in reasonable detail the calculations upon which such Lender determined such amount and shall be presumed (rebuttably) correct. Determination of amounts payable under such Sections in connection with a LIBOR Loan shall be calculated as though each Lender funded its LIBOR Loan through the purchase of a deposit of the type and maturity corresponding to the deposit used as a reference in determining the LIBOR Rate applicable to such Loan, whether in fact that is the case or not.



Unless otherwise provided herein, the amount specified in the written statement shall be payable on demand after receipt by the Borrower of the written statement. The obligations of the Borrower under Sections 3.1, 3.2 and 3.4 shall survive payment of the Obligations and termination of this Agreement.

3.6 Replacement of Lender by Reason of Change in Circumstances. In the event that any Lender (a "Recovery Lender") requires Borrower to make any payment to such Recovery Lender in accordance with the provisions of Sections 3.1 and/or 3.2 hereof, then upon written notice from Borrower to Agent, Borrower and Agent shall mutually use their respective best efforts to find another lender to replace the Recovery Lender. If a replacement lender is found then Borrower shall pay to the Recovery Lender all amounts owed to such Recovery Lender under the Facility, such Recovery Lender shall no longer be a "Lender" hereunder, and concurrently therewith the remaining parties hereto shall execute such instruments as shall be necessary to have the replacement lender become a "Lender" hereunder having a Commitment equal to that of the Recovery Lender.

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Nothing contained in this Section 3.6 shall be deemed to relieve Borrower of its obligations to make all payments to any Recovery Lender in the amounts and at the times required pursuant to the terms of this Agreement during the period of time prior to the replacement of such Recovery Lender.

#### ARTICLE IV

##### CONDITIONS PRECEDENT

4.1. Initial Advance. The Lenders shall not be required to make the initial Advance hereunder unless the Borrower shall have furnished to the Agent, with sufficient copies for the Lenders, the following:

- (i) The duly executed originals of the Loan Documents, including the Notes, payable to the order of each of the Lenders, and this Agreement;
- (ii) A certificate of good standing for the Borrower, certified by the appropriate governmental officer of the District of Columbia, and foreign qualification certificates, certified by the appropriate governmental officer, for each jurisdiction where the failure to so qualify or be licensed (if required) would have a Material Adverse Effect;
- (iii) Copies, certified by an officer of the Borrower, of its formation documents (including by-laws), together with all amendments thereto;
- (iv) An incumbency certificate, executed by an officer of the Borrower, which shall identify by name and title and bear the signature of the Persons authorized to sign the Loan Documents and to make borrowings hereunder on behalf of the Borrower, upon which certificate the Agent and the Lenders shall be entitled to rely until informed of any change in writing by the Borrower;
- (v) Copies, certified by the Secretary or Assistant Secretary, of the Borrower's Board of Directors' resolutions (and resolutions of other bodies, if any are deemed necessary by counsel for any Lender) authorizing the Advances provided for herein and the execution, delivery and performance of the Loan Documents to be executed and delivered by the Borrower hereunder;
- (vi) A written opinion of the Borrower's counsel, addressed to the Lenders in substantially the form of Exhibit B hereto;

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- (vii) A certificate, signed by an officer of the Borrower, stating that on the initial Borrowing Date no Default or Unmatured Default has occurred and is continuing

and that all representations and warranties of the Borrower are true and correct as of the initial Borrowing Date;

- (viii) The most recent financial statements of the Borrower and a certificate from an officer of the Borrower that no material adverse change in the Borrower's financial condition has occurred since the date of such statements;
- (ix) UCC financing statement, judgment, and tax lien searches with respect to the Borrower from the State of Maryland;
- (x) Written money transfer instructions, in substantially the form of Exhibit E hereto, addressed to the Agent and signed by an Authorized Officer, together with such other related money transfer authorizations as the Agent may have reasonably requested; and
- (xi) Such other documents as any Lender or its counsel may have reasonably requested, the form and substance of which documents shall be acceptable to the parties and their respective counsel.

4.2. Each Advance. The Lenders shall not be required to make any Advance (other than an Advance that, after giving effect thereto and to the application of the proceeds thereof, does not increase the aggregate amount of outstanding Advances), unless on the applicable Borrowing Date:

- (i) There exists no Default or Unmatured Default;
- (ii) The representations and warranties contained in Article V are true and correct in all material respects as of such Borrowing Date with respect to Borrower and to any Subsidiary in existence on such Borrowing Date, except to the extent any such representation or warranty is stated to relate solely to an earlier date, in which case such representation or warranty shall be true and correct on and as of such earlier date; and
- (iii) All legal matters incident to the making of such Advance shall be reasonably satisfactory to the Lenders and their counsel and shall impose no burden on the Borrower greater than as set forth in Section 4.1 hereof.

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Each Borrowing Notice with respect to each such Advance shall constitute a representation and warranty by the Borrower that the conditions contained in Sections 4.2(i) and (ii) have been satisfied. Any Lender may require a duly completed compliance certificate in substantially the form of Exhibit C hereto as a condition to making an Advance.

#### ARTICLE V

##### REPRESENTATIONS AND WARRANTIES

The Borrower represents and warrants to the Lenders that:

5.1. Existence. Borrower is a real estate investment trust duly organized and validly existing under the laws of the District of Columbia, with its principal place of business in Kensington, Maryland, and is duly qualified as a foreign real estate investment trust, properly licensed (if required), in good standing and has all requisite authority to conduct its business in each jurisdiction in which its business is conducted and in which the failure to be qualified would have a Material Adverse Effect.

5.2. Authorization and Validity. The Borrower has the power and authority and legal right to execute and deliver the Loan Documents and to perform its obligations thereunder. The execution and delivery by the Borrower of the Loan Documents and the performance of its obligations thereunder have been duly authorized by proper proceedings, and the Loan Documents constitute legal, valid and binding obligations of the Borrower enforceable against the Borrower in accordance with their terms, except as enforceability may be limited by bankruptcy, insolvency or similar laws affecting the enforcement of creditors' rights generally.

5.3. No Conflict; Government Consent. Neither the execution and delivery by the Borrower of the Loan Documents, nor the consummation of the transactions therein contemplated, nor compliance with the provisions thereof will violate any law, rule, regulation, order, writ, judgment, injunction, decree or award binding on the Borrower, or the provisions of any indenture, investment or agreement to which the Borrower is a party or is subject, or by which it, or its Property, is bound, or conflict with or constitute a default thereunder, or result in the creation or imposition of any Lien in, of or on the Property of the Borrower pursuant to the terms of any such indenture, instrument or agreement. No order, consent, approval, license, authorization, or validation of, or filing, recording or registration with, or exemption by, any governmental or public body or authority, or any subdivision thereof, is required to authorize, or is required in connection with the execution, delivery and performance of, or the legality, validity, binding effect or enforceability of, any of the Loan Documents.

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5.4. Material Adverse Change. Since December 31, 1994, there has been no change in the business, Property, prospects, condition (financial or otherwise) or results of operations of the Borrower which could have a Material Adverse Effect.

5.5. Taxes. The Borrower has filed all United States federal tax returns and all other tax returns which are required to be filed and have paid all taxes due pursuant to said returns or pursuant to any assessment received by the Borrower except such taxes, if any, as are being contested in good faith and as to which adequate reserves have been provided. No tax liens have been filed and no claims are being asserted with respect to any such taxes. The charges, accruals and reserves on the books of the Borrower in respect of any taxes or other governmental charges are adequate.

5.6. Litigation and Guarantee Obligations. There is no litigation, arbitration, governmental investigation, proceeding or inquiry pending or, to the knowledge of any of their officers, threatened against or affecting the Borrower which could have a Material Adverse Effect. The Borrower has no material contingent obligations not provided for or disclosed in the financial statements referred to in Section 6.4.

5.7. No Subsidiaries. There are no presently existing Subsidiaries of the Borrower.

5.8. ERISA. The Unfunded Liabilities of all Single Employer Plans do not in the aggregate exceed \$100,000. Neither the Borrower nor any other member of the Controlled Group has incurred, or is reasonably expected to incur, any withdrawal liability to Multiemployer Plans in excess of \$100,000 in the aggregate. Each Plan complies in all material respects with all applicable requirements of law and regulations, no Reportable Event has occurred with respect to any Plan, neither the Borrower nor any other members of the Controlled Group has withdrawn from any Plan or initiated steps to do so, and no steps have been taken to reorganize or terminate any Plan.

5.9. Accuracy of Information. No information, exhibit or report furnished by the Borrower to the Agent or to any Lender in connection with the negotiation of, or compliance with, the Loan Documents contained any material misstatement of fact or omitted to state a material fact or any fact necessary to make the statements contained therein not misleading.

5.10. Regulation U. Margin stock (as defined in Regulation U) constitutes less than 25% of those assets of the Borrower which are subject to any limitation on sale, pledge, or other restriction hereunder.

5.11. Material Agreements. The Borrower is not subject to any charter or other corporate restriction which could have a Material Adverse Effect. The Borrower is not in material default in the performance, observance or fulfillment of any of the obligations, covenants or conditions contained in (i) any agreement to which it is a party, which default could have a Material Adverse Effect or (ii) any agreement or instrument evidencing or governing Indebtedness.

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5.12. Compliance With Laws. The Borrower has complied in all material respects with all applicable statutes, rules, regulations, orders and restrictions of any domestic or foreign government or any instrumentality or agency thereof, having jurisdiction over the conduct of their respective businesses or the ownership of their respective Property. The Borrower has not

received any notice to the effect that its operations are not in material compliance with any of the requirements of applicable federal, state and local environmental, health and safety statutes and regulations or the subject of any federal or state investigation evaluating whether any remedial action is needed to respond to a release of any toxic or hazardous waste or substance into the environment, which non-compliance or remedial action could have a Material Adverse Effect.

5.13. Ownership of Properties. Except as set forth on Schedule 3 hereto, on the date of this Agreement, the Borrower has good title, free of all Liens other than those permitted by Section 7.18, to all of the Property and assets reflected in the financial statements as owned by it.

5.14. Investment Company Act. The Borrower is not an "investment company" or a company "controlled" by an "investment company," within the meaning of the Investment Company Act of 1940, as amended.

5.15. Public Utility Holding Company Act. The Borrower is not a "holding company" or a "subsidiary company" of a "holding company," or an "affiliate" of a "holding company" or of a "subsidiary company" of a "holding company," within the meaning of the Public Utility Holding Company Act of 1935, as amended.

5.16. Solvency. (i) Immediately after the Closing Date and immediately following the making of each Loan and after giving effect to the application of the proceeds of such Loans, (a) the fair value of the assets of the Borrower and its Subsidiaries (if any) on a consolidated basis, at a fair valuation, will exceed the debts and liabilities, subordinated, contingent or otherwise, of the Borrower and its Subsidiaries, if any, on a consolidated basis; (b) the present fair saleable value of the property of the Borrower and its Subsidiaries on a consolidated basis will be greater than the amount that will be required to pay the probable liability of the Borrower and its Subsidiaries, if any, on a consolidated basis on their debts and other liabilities, subordinated, contingent or otherwise, as such debts and other liabilities become absolute and matured; (c) the Borrower and its Subsidiaries, if any, on a consolidated basis will be able to pay their debts and liabilities, subordinated, contingent or otherwise, as such debts and liabilities become absolute and matured; and (d) the Borrower and its Subsidiaries, if any, on a consolidated basis will not have unreasonably small capital with which to conduct the businesses in which they are engaged as such businesses are now conducted and are proposed to be conducted after the date hereof.

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(ii) The Borrower does not intend to incur debts beyond its ability to pay such debts as they mature, taking into account the timing of and amounts of cash to be received by it and the timing of the amounts of cash to be payable on or in respect of its Indebtedness or the Indebtedness.

5.17. Insurance. The Borrower carries insurance on its Property with financially sound and reputable insurance companies, in such amounts, with such deductibles and covering such risks as are customarily carried by companies engaged in similar businesses and owning similar Property in localities where the Borrower operates, including, without limitation:

- (i) Property and casualty insurance (including coverage for flood and other water damage for any Properties located within a 100-year flood plain) in the amount of the replacement cost of the improvements at the Properties;
- (ii) Loss of rental income insurance in the amount not less than one year's gross revenues from the Properties; and
- (iii) Comprehensive general liability insurance in the amount of \$20,000,000 per occurrence.

5.18. REIT Status. The Borrower is in good standing on the American Stock Exchange, is qualified as a real estate investment trust and currently is in compliance with all applicable provisions of the Code.

## ARTICLE VI

### COVENANTS

During the term of this Agreement, unless the Required Lenders shall otherwise consent in writing:

6.1. Financial Reporting. The Borrower will maintain, for itself and each Subsidiary, a system of accounting established and administered in accordance with GAAP, and furnish to the Lenders:

- (i) Within 45 days after the close of each fiscal quarter, for the Borrower and its Subsidiaries, an unaudited balance sheet as of the close of each such period and profit and loss and reconciliation of surplus statements and a statement of cash flows for the period from the beginning of the fiscal year to the end of such quarter, all certified by the Borrower's chief financial officer or chief accounting officer;
- (ii) Together with the financial statements required hereunder, a compliance certificate in substantially the form of Exhibit C hereto signed by the Borrower's chief financial officer or chief accounting officer showing the calculations necessary to determine compliance with this Agreement and stating that no Default or Unmatured Default exists, or if any Default or Unmatured Default exists, stating the nature and status thereof;
- (iii) Within 45 days after the close of each fiscal quarter, for themselves and their Subsidiaries, related reports in form and substance satisfactory to the Lenders, all certified by the entity's chief financial officer or chief accounting officer, including a statement of Funds From Operations, listing of capital expenditures, a report listing and describing all newly acquired Properties, including their net operating income, cost and mortgage debt, if any, and summary Property information and such other information as may be reasonably requested;
- (v) Within 90 days after the close of each fiscal year, for the Borrower and its Subsidiaries, audited financial statements, including a balance sheet as of the close of each such period and profit and loss and reconciliation of surplus statements and a statement of cash flows for the period, all audited and certified by independent accountants (which accountants shall be reasonably satisfactory to Agent) as fairly presenting the financial position and results of operations and its cash flows as of the end of such fiscal year for such entities in accordance with GAAP;
- (iv) As soon as possible and in any event within 10 days after the Borrower knows that any Reportable Event has occurred with respect to any Plan, a statement, signed by the chief financial officer of the Borrower, describing said Reportable Event and the action which the Borrower proposes to take with respect thereto;
- (v) As soon as possible and in any event within 10 days after receipt by the Borrower, a copy of (a) any notice or claim to the effect that the Borrower or any of its Subsidiaries is or may be liable to any Person as a result of the release by the Borrower, any of its Subsidiaries, or any other Person of any toxic or hazardous waste or substance into the environment, and (b) any notice alleging any violation of any federal, state or local environmental, health or safety law or regulation by the Borrower or any of its Subsidiaries, which, in either case, could have a Material Adverse Effect;

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- (vi) Promptly upon the furnishing thereof to the shareholders of the Borrower, copies of all financial statements, reports and proxy statements so

furnished;

- (vii) Promptly upon the filing thereof, copies of all registration statements and annual, quarterly, monthly or other reports and any other public information which the Borrower or any of its Subsidiaries files with the Securities Exchange Commission; and
- (viii) Such other information (including, without limitation, financial statements for the Borrower and non-financial information) as the Agent or any Lender may from time to time reasonably request.

6.2. Use of Proceeds. The Borrower will, and will cause each of its Subsidiaries to, use the proceeds of the Advances for the general business purposes of the Borrower, including working capital needs and interim financing for property acquisitions, and to repay outstanding Advances. The Borrower will not, nor will it permit any Subsidiary to, use any of the proceeds of the Advances to purchase or carry any "margin stock" (as defined in Regulation U) or to make any Acquisition other than a Permitted Acquisition.

6.3. Notice of Default. The Borrower will, and will cause each of its Subsidiaries to, give prompt notice in writing to the Lenders of the occurrence of any Default or Unmatured Default and of any other development, financial or otherwise, which could have a Material Adverse Effect.

6.4. Conduct of Business. The Borrower will, and will cause each of its Subsidiaries to, (i) do all things necessary to remain duly incorporated or duly qualified, validly existing and in good standing as a real estate investment trust, domestic corporation or limited partnership, as the case may be, in its jurisdiction of incorporation/formation and maintain all requisite authority to conduct its business in each jurisdiction in which its business is conducted and in which the failure to be qualified would have a Material Adverse Effect, (ii) to carry on and conduct their businesses in substantially the same manner as they are presently conducted, and (iii) not undertake any business other than the development, ownership, management and operation of apartment buildings, office buildings, shopping centers, business centers, and warehouses, and ancillary businesses specifically related to such properties.

6.5. Taxes. The Borrower will, and will cause each of its Subsidiaries to, pay when due all taxes, assessments and governmental charges and levies upon them of their income, profits or Property, except those which are being contested in good faith by appropriate proceedings and with respect to which adequate reserves have been set aside.

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6.6. Insurance. The Borrower will, and will cause each of its Subsidiaries to, maintain with financially sound and reputable insurance companies insurance on all their Property in such amounts and covering such risks as is consistent with sound business practice, and the Borrower will furnish to any Lender upon request full information as to the insurance carried.

6.7. Compliance with Laws. The Borrower will, and will cause each of its Subsidiaries to, comply with all laws, rules, regulations, orders, writs, judgments, injunctions, decrees or awards to which they may be subject.

6.8. Maintenance of Properties. The Borrower will, and will cause each of its Subsidiaries to, do all things necessary to maintain, preserve, protect and keep its Property in good repair, working order and condition, and make all necessary and proper repairs, renewals and replacements so that their businesses carried on in connection therewith may be properly conducted at all times.

6.9. Inspection. The Borrower will, and will cause each of its Subsidiaries to, permit the Lenders, by their respective representatives and agents, to inspect any of the Property, corporate books and financial records of the Borrower and each of its Subsidiaries, to examine and make copies of the books of accounts and other financial records of the Borrower and each of its Subsidiaries, and to discuss the affairs, finances and accounts of the Borrower and each of its Subsidiaries, and to be advised as to the same by, their respective officers at such reasonable times and intervals as the Lenders may designate.

6.10. Maintenance of Status. The Borrower shall at all times (i) remain a corporation listed and in good standing on the American Stock Exchange, and (ii) maintain its status as a real estate investment trust in compliance with all applicable provisions of the Code.

6.11. Dividends. The Borrower and its Subsidiaries shall be permitted to declare and pay any dividends on its Capital Stock from time to time in amounts determined by Borrower, provided that at the time of such declaration and/or payment (i) the ratio of annualized EBITDA (determined by multiplying (x) EBITDA for the then most recently ended fiscal quarter, by (y) four) to Consolidated Total Indebtedness exceeds 0.25, and (ii) the Value of Unencumbered Assets is at least 3.0 times the Consolidated Unsecured Indebtedness. In the event that Borrower and its Subsidiaries are not in compliance with the provisions of the preceding sentence, then in no event shall Borrower or any of its Subsidiaries declare or pay any dividends on its Capital Stock if in any period of four fiscal quarters, such dividends, in the aggregate, would exceed 95% of the Borrower's Funds From Operations for such period; provided, however, that the Borrower shall be permitted at all times to distribute whatever amount is necessary to maintain its tax status as a real estate investment trust.

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6.12. Merger. The Borrower will not, nor will it permit any of its Subsidiaries to, enter into any merger, consolidation, reorganization or liquidation or transfer or otherwise dispose of all or a Substantial Portion of their Properties, except for such transactions that occur between Wholly-Owned Subsidiaries or as otherwise approved in advance by the Lenders, provided, however, that mergers shall be permitted as a means for the Borrower to acquire additional Properties or ancillary businesses specifically related to Properties so long as such merger is not accomplished through a hostile takeover and the Borrower is the surviving entity.

6.13. Delivery of Subsidiary Guaranties. Borrower shall promptly notify Agent of any planned formation or acquisition of any Subsidiary. Within 10 days after Borrower forms or acquires any Subsidiary, Borrower shall cause such Subsidiary to execute and deliver to the Lender's a guaranty agreement (together with such other documents as the Lenders shall reasonably request) whereby such Subsidiary agrees that it shall be jointly and severally liable for all Obligations of the Borrower under the Loan Documents. The guaranty agreement and such other documents each shall be in form and substance satisfactory to the Lenders.

6.14. Sale of Accounts. The Borrower will not, nor will it permit any of its Subsidiaries to, sell or otherwise dispose of any notes receivable or accounts receivable, with or without recourse.

6.15. Sale and Leaseback. The Borrower will not, nor will it permit any of its Subsidiaries to, sell or transfer any of its Property in order to concurrently or subsequently lease as lessee such or similar Property.

6.16. Acquisitions and Investments. Without the prior written consent of the Required Lenders, the Borrower will not, nor will it permit any of its Subsidiaries to:

- (i) make any Acquisition, except mergers permitted pursuant to Section 6.12:
- (ii) by a single transaction or through a series of related transactions make any acquisition of property if the cost of such property would be more than \$50,000,000 for any such property;
- (iii) make any investments in, or loans or advances to, any unconsolidated Person to the extent such investments, loans and advances in the aggregate would exceed ten percent (10%) of their Total Tangible Assets on a consolidated basis.

Acquisitions permitted pursuant to this Section 6.16 shall be deemed to be "Permitted Acquisitions."

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6.17. Liens. The Borrower will not, nor will it permit any of its Subsidiaries to, create, incur, or suffer to exist any Lien in, of or on the Property of the Borrower or any of its Subsidiaries, except:

- (i) Liens for taxes, assessments or governmental charges or levies on its Property if the same shall not at the time be delinquent or thereafter can be paid without penalty, or are being contested in good faith

and by appropriate proceedings and for which adequate reserves shall have been set aside on its books;

- (ii) Liens imposed by law, such as carriers', warehousemen's and mechanics' liens and other similar liens arising in the ordinary course of business which secure payment of obligations not more than 60 days past due or which are being contested in good faith by appropriate proceedings and for which adequate reserves shall have been set aside on its books;
- (iii) Liens arising out of pledges or deposits under worker's compensation laws, unemployment insurance, old age pensions, or other social security or retirement benefits, or similar legislation;
- (iv) Utility easements, building restrictions and such other encumbrances or charges against real property as are of a nature generally existing with respect to properties of a similar character and which do not in any material way affect the marketability of the same or interfere with the use thereof in the business of the Borrower or its Subsidiaries;
- (v) Liens existing on the date hereof and described in Schedule 2 hereto; and
- (vi) Liens arising in connection with any Indebtedness permitted hereunder.

Notwithstanding anything contained in this Agreement to the contrary, Borrower may from time to time encumber its Properties with Liens in addition to those set forth in clauses (i) through (vi) above, provided that the granting or existence of such other Liens shall not cause Borrower to be in breach of the provisions of Section 6.21 hereof.

Liens permitted pursuant to this Section 6.17 shall be deemed to be "Permitted Liens."

6.18. Affiliates. The Borrower will not, nor will it permit any of their Subsidiaries to, enter into any transaction (including, without limitation, the purchase or sale of any Property or service) with, or make any payment or transfer to, any Affiliate except in the ordinary course of business and pursuant to the reasonable requirements of the Borrower's or such Subsidiary's business and upon fair and reasonable terms no less favorable to the

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Borrower or such Subsidiary than the Borrower or such Subsidiary would obtain in a comparable arms-length transaction.

6.19. Cash Flow to Debt Service Ratio. The Borrower on a consolidated basis with its Subsidiaries shall maintain a Cash Flow to Debt Service Ratio of not less than 2.5. Such test must be satisfied as of the end of each fiscal quarter, based on annualized results for the preceding two fiscal quarters.

6.20. Consolidated Tangible Net Worth. The Borrower on a consolidated basis with its Subsidiaries shall maintain a Consolidated Tangible Net Worth of not less than the sum of (i) \$125,000,000 plus (ii) fifty percent (50%) of the aggregate proceeds received by the Borrower (net of actual related fees and expenses) in connection with any offering of stock in the Borrower after the Closing Date.

6.21. Indebtedness and Cash Flow Covenants. The Borrower on a consolidated basis with its Subsidiaries shall not, as of the last day of any fiscal quarter, permit:

- (i) Consolidated Total Indebtedness to exceed forty percent (40%) of Total Tangible Assets;
- (ii) Consolidated Secured Indebtedness to exceed fifteen percent (15%) of Total Tangible Assets;
- (iii) the Value of Unencumbered Assets to be less than 2.25 times the Consolidated Senior Unsecured Indebtedness;
- (iv) annualized EBITDA (determined by multiplying (x) the sum of EBITDA for the two most recently ended fiscal



quarters, by (y) two) to be less than twenty percent (20%) of Consolidated Total Indebtedness; and

- (v) the Value of Unencumbered Assets (excluding Office Building Assets which constitute Unencumbered Assets) to be less than 1.5 times the Consolidated Senior Unsecured Indebtedness.

## ARTICLE VII

### DEFAULTS

The occurrence of any one or more of the following events shall constitute a Default:

7.1. Any representation or warranty made or deemed made by or on behalf of the Borrower or any of its Subsidiaries to the Lenders or the Agent under or in connection with

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this Agreement, any Loan, or any certificate or information delivered in connection with this Agreement or any other Loan Document shall be materially false on the date as of which made.

7.2. Nonpayment of principal of any Note when due, or nonpayment of interest upon any Note or of any commitment fee or other obligations under any of the Loan Documents within five Business Days after the same becomes due.

7.3. The breach of any of the terms or provisions of Sections 6.2, 6.11, 6.12, 6.14, 6.15, 6.16, 6.19, 6.20, and 6.21 hereof.

7.4. The breach by the Borrower (other than a breach which constitutes a Default under Section 7.1, 7.2, or 7.3) of any of the terms or provisions of this Agreement which is not remedied within thirty days after written notice from the Agent or any Lender.

7.5. Failure of the Borrower or any of its Subsidiaries to pay when due any "recourse" Indebtedness (i.e., Indebtedness which is recoverable from the general assets of the Borrower and/or its Subsidiaries) which is outstanding in an aggregate amount of at least \$5,000,000; or the default by the Borrower or any of its Subsidiaries in the performance of any term, provision or condition contained in any agreement under which such "recourse" Indebtedness was created or is governed, or any other event shall occur or condition exist, the effect of which is to cause such "recourse" Indebtedness to become due prior to its stated maturity; or any "recourse" Indebtedness of the Borrower or any of its Subsidiaries (other than "recourse" Indebtedness which is "due on demand") shall be declared to be due and payable or required to be prepaid (other than by a regularly scheduled payment) prior to the stated maturity thereof; or the Borrower or any of its Subsidiaries shall not pay, or admit in writing its inability to pay, its debts generally as they become due.

7.6. The Borrower or any of its Subsidiaries that has more than \$10,000,000 of Total Tangible Assets shall (i) have an order for relief entered with respect to it under the Federal bankruptcy laws as now or hereafter in effect, (ii) make an assignment for the benefit of creditors, (iii) apply for, seek, consent to, or acquiesce in, the appointment of a receiver, custodian, trustee, examiner, liquidator or similar official for it or any Substantial Portion of its Property, (iv) institute any proceeding seeking an order for relief under the Federal bankruptcy laws as now or hereafter in effect or seeking to adjudicate it a bankrupt or insolvent, or seeking dissolution, winding up, liquidation, reorganization, arrangement, adjustment or composition of it or its debts under any law relating to bankruptcy, insolvency or reorganization or relief of debtors or fail to file an answer or other pleading denying the material allegations of any such proceeding filed against it, (v) take any corporate action to authorize or effect any of the foregoing actions set forth in this Section 7.6 or (vi) fail to contest in good faith any appointment or proceeding described in Section 7.7.

7.7. A receiver, trustee, examiner, liquidator or similar official shall be appointed for the Borrower or any Subsidiary that has more than \$10,000,000 of Total Tangible Assets

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or any Substantial Portion of their Property, or a proceeding described in

Section 7.6(iv) shall be instituted against the Borrower or any such Subsidiary and such appointment continues undischarged or such proceeding continues undismitted or unstayed for a period of 30 consecutive days.

7.8. Any court, government or governmental agency shall condemn, seize or otherwise appropriate, or take custody or control of (each a "Condemnation"), all or any portion of the Property of the Borrower and its Subsidiaries which, when taken together with all other Property of the Borrower and its Subsidiaries so condemned, seized, appropriated, or taken custody or control of, during the twelve-month period ending with the month in which any such Condemnation occurs, constitutes a Substantial Portion of their Property.

7.9. The Borrower or any of its Subsidiaries shall fail within 30 days to pay, bond or otherwise discharge any judgment or order for the payment of money in excess of \$5,000,000, which is not stayed on appeal or otherwise being appropriately contested in good faith.

7.10. The Unfunded Liabilities of all Single Employer Plans shall exceed in the aggregate \$100,000 or any Reportable Event shall occur in connection with any Plan.

7.11. The Borrower or any other member of the Controlled Group shall have been notified by the sponsor of a Multiemployer Plan that it has incurred withdrawal liability to such Multiemployer Plan in an amount which, when aggregated with all other amounts required to be paid to Multiemployer Plans by the Borrower or any other member of the Controlled Group as withdrawal liability (determined as of the date of such notification), exceeds \$100,000 or requires payments exceeding \$1,000,000 per annum.

7.12. The Borrower or any other member of the Controlled Group shall have been notified by the sponsor of a Multiemployer Plan that such Multiemployer Plan is in reorganization or is being terminated, within the meaning of Title IV of ERISA, if as a result of such reorganization or termination the aggregate annual contributions of the Borrower and the other members of the Controlled Group (taken as a whole) to all Multiemployer Plans which are then in reorganization or being terminated have been or will be increased over the amounts contributed to such Multiemployer Plans for the respective plan years of each such Multiemployer Plan immediately preceding the plan year in which the reorganization or termination occurs by an amount exceeding \$100,000.

7.13. Failure to remediate within the time period permitted by law or governmental order (or within a reasonable time give the nature of the problem if no specific time period has been given) material environmental problems related to Properties whose aggregate book values are in excess of \$20,000,000 or where the estimated cost of remediation is in the aggregate in excess of \$100,000, in each case after all administrative hearings and appeals have been concluded.

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7.14. The occurrence of any default under any Loan Document or the breach of any of the terms or provisions of any Loan Document, which default or breach continues beyond any period of grace therein provided.

#### ARTICLE VIII

##### ACCELERATION, WAIVERS, AMENDMENTS AND REMEDIES

8.1. Acceleration. If any Default described in Section 7.6 or 7.7 occurs with respect to the Borrower, the obligations of the Lenders to make Loans hereunder shall automatically terminate and the Obligations shall immediately become due and payable without any election or action on the part of the Agent or any Lender. If any other Default occurs, the Required Lenders may terminate or suspend the obligations of the Lenders to make Loans hereunder, or declare the Obligations to be due and payable, or both, whereupon the Obligations shall become immediately due and payable, without presentment, demand, protest or notice of any kind, all of which the Borrower hereby expressly waives.

If, within 10 days after acceleration of the maturity of the Obligations or termination of the obligations of the Lenders to make Loans hereunder as a result of any Default (other than any Default as described in Section 7.6 or 7.7 with respect to the Borrower) and before any judgment or decree for the payment of the Obligations due shall have been obtained or entered, the Required Lenders (in their sole discretion) shall so direct, the Agent shall, by notice to the Borrower, rescind and annul such acceleration and/or termination.

8.2. Amendments. Subject to the provisions of this Article VIII,

the Required Lenders (or the Agent with the consent in writing of the Required Lenders) and the Borrower may enter into agreements supplemental hereto for the purpose of adding or modifying any provisions to the Loan Documents or changing in any manner the rights of the Lenders or the Borrower hereunder or waiving any Default hereunder; provided, however, that no such supplemental agreement shall, without the consent of each Lender affected thereby:

- (i) Extend the maturity of any Loan or Note or forgive all or any portion of the principal amount thereof, or reduce the rate or extend the time of payment of interest or fees thereon.
- (ii) Reduce the percentage specified in the definition of Required Lenders.
- (iii) Extend the Facility Termination Date or reduce the amount or extend the payment date for, the mandatory payments required under Section 2.2 (other than as provided for under Section 2.2), or increase the amount of the Commitment of any Lender hereunder, or permit the Borrower to assign its rights under this Agreement.

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- (iv) Amend this Section 8.2.

Notwithstanding any provision contained in this Section 8.2, the Aggregate Commitment may be increased prior to the Facility Termination Date (up to the Maximum Aggregate Commitment) solely by the consent of the Borrower and each Lender whose Commitment is being increased. No amendment of any provision of this Agreement relating to the Agent shall be effective without the written consent of the Agent.

8.3. Preservation of Rights. No delay or omission of the Lenders or the Agent to exercise any right under the Loan Documents shall impair such right or be construed to be a waiver of any Default or an acquiescence therein, and the making of a Loan notwithstanding the existence of a Default or the inability of the Borrower to satisfy the conditions precedent to such Loan shall not constitute any waiver or acquiescence. Any single or partial exercise of any such right shall not preclude other or further exercise thereof or the exercise of any other right, and no waiver, amendment or other variation of the terms, conditions or provisions of the Loan Documents whatsoever shall be valid unless in writing signed by the Lenders required pursuant to Section 8.2, and then only to the extent in such writing specifically set forth. All remedies contained in the Loan Documents or by law afforded shall be cumulative and all shall be available to the Agent and the Lenders until the Obligations have been paid in full.

## ARTICLE IX

### GENERAL PROVISIONS

9.1. Survival of Representations. All representations and warranties of the Borrower contained in this Agreement shall survive delivery of the Notes and the making of the Loans herein contemplated.

9.2. Governmental Regulation. Anything contained in this Agreement to the contrary notwithstanding, no Lender shall be obligated to extend credit to the Borrower in violation of any limitation or prohibition provided by any applicable statute or regulation.

9.3. Taxes. Any taxes (excluding (i) federal taxation of the net income of any Lender or applicable Lending Installation, (ii) state and local taxation in the jurisdiction where a Lender's home office is situated, (iii) state and local taxation in a jurisdiction other than described in (ii) above to the extent such Lender receives credit on its tax payments in its home jurisdiction for such taxes, and (iv) federal withholding tax imposed on payments due hereunder or under the Notes) or other similar assessments or charges made by any governmental or revenue authority in respect of the Loan Documents shall be paid by the Borrower when due (and Agent shall forward to Borrower copies of any notices of such taxes promptly following Agent's receipt of any such notices).

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9.4. Headings. Section headings in the Loan Documents are for convenience of reference only, and shall not govern the interpretation of any of the provisions of the Loan Documents.

9.5. Entire Agreement. The Loan Documents embody the entire agreement and understanding among the Borrower, the Agent and the Lenders and supersede all prior commitments, agreements and understandings among the Borrower, the Agent and the Lenders relating to the subject matter thereof.

9.6. Several Obligations; Benefits of this Agreement. The respective obligations of the Lenders hereunder are several and not joint and no Lender shall be the partner or agent of any other (except to the extent to which the Agent is authorized to act as such). The failure of any Lender to perform any of its obligations hereunder shall not relieve any other Lender from any of its obligations hereunder. This Agreement shall not be construed so as to confer any right or benefit upon any Person other than the parties to this Agreement and their respective successors and assigns.

9.7. Expenses; Indemnification. The Borrower shall reimburse the Agent for any costs, internal charges and out-of-pocket expenses (including, without limitation, all reasonable fees for consultants and reasonable fees and reasonable expenses for attorneys for the Agent, which attorneys may be employees of the Agent) paid or incurred by the Agent in connection with the preparation, negotiation, execution, delivery, review, amendment, modification, and administration of the Loan Documents; provided that the provisions of Section 12.2.1 and 12.3.1 shall govern with respect to payment of the fees and expenses associated with the sale of participating interests in, and assignments of, the Loans. The Borrower also agrees to reimburse the Agent and the Lenders for any costs, internal charges and out-of-pocket expenses (including, without limitation, all reasonable fees and reasonable expenses for attorneys for the Agent and the Lenders, which attorneys may be employees of the Agent or the Lenders) paid or incurred by the Agent or any Lender in connection with the collection and enforcement of the Loan Documents (including, without limitation, any workout). The Borrower further agrees to indemnify the Agent and each Lender, its directors, officers and employees against all losses, claims, damages, penalties, judgments, liabilities and expenses (including, without limitation, all expenses of litigation or preparation therefor whether or not the Agent or any Lender is a party thereto) which any of them may pay or incur arising out of or relating to this Agreement, the other Loan Documents, the Properties, the transactions contemplated hereby or the direct or indirect application or proposed application of the proceeds of any Loan hereunder, except that the foregoing indemnity shall not apply to a Lender to the extent that any losses, claims, damages, penalties, judgments, liabilities and expenses are the result of such Lender's gross negligence or willful misconduct. The obligations of the Borrower under this Section shall survive the termination of this Agreement.

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9.8. Numbers of Documents. All statements, notices, closing documents, and requests hereunder shall be furnished to the Agent with sufficient counterparts so that the Agent may furnish one to each of the Lenders.

9.9. Accounting. Except as provided to the contrary herein, all accounting terms used herein shall be interpreted and all accounting determinations hereunder shall be made in accordance with GAAP, except that any calculation or determination which is to be made on a consolidated basis shall be made for the Borrower and all its Subsidiaries, including those Subsidiaries, if any, which are unconsolidated on the Borrower's official financial statements.

9.10. Severability of Provisions. Any provision in any Loan Document that is held to be inoperative, unenforceable, or invalid in any jurisdiction shall, as to that jurisdiction, be inoperative, unenforceable, or invalid without affecting the remaining provisions in that jurisdiction or the operation, enforceability, or validity of that provision in any other jurisdiction, and to this end the provisions of all Loan Documents are declared to be severable.

9.11. Nonliability of Lenders. The relationship between the Borrower, on the one hand, and the Lenders and the Agent, on the other, shall be solely that of borrower and lender. Neither the Agent nor any Lender shall have any fiduciary responsibilities to the Borrower. Neither the Agent nor any Lender undertakes any responsibility to the Borrower to review or inform the Borrower of any matter in connection with any phase of the Borrower's business or operations.

9.12. CHOICE OF LAW. THE LOAN DOCUMENTS (OTHER THAN THOSE CONTAINING A CONTRARY EXPRESS CHOICE OF LAW PROVISION) SHALL BE CONSTRUED IN ACCORDANCE WITH THE INTERNAL LAWS (AND NOT THE LAW OF CONFLICTS) OF THE STATE

OF ILLINOIS, BUT GIVING EFFECT TO FEDERAL LAWS APPLICABLE TO NATIONAL BANKS.

9.13. CONSENT TO JURISDICTION. THE BORROWER HEREBY IRREVOCABLY SUBMITS TO THE NON-EXCLUSIVE JURISDICTION OF ANY UNITED STATES FEDERAL OR ILLINOIS STATE COURT SITTING IN CHICAGO IN ANY ACTION OR PROCEEDING ARISING OUT OF OR RELATING TO ANY LOAN DOCUMENTS AND THE BORROWER HEREBY IRREVOCABLY AGREES THAT ALL CLAIMS IN RESPECT OF SUCH ACTION OR PROCEEDING MAY BE HEARD AND DETERMINED IN ANY SUCH COURT AND IRREVOCABLY WAIVES ANY OBJECTION IT MAY NOW OR HEREAFTER HAVE AS TO THE VENUE OF ANY SUCH SUIT, ACTION OR PROCEEDING BROUGHT IN SUCH A COURT OR THAT SUCH COURT IS AN INCONVENIENT FORUM. NOTHING HEREIN SHALL LIMIT THE RIGHT OF THE AGENT OR ANY LENDER TO BRING PROCEEDINGS AGAINST THE BORROWER IN THE COURTS OF ANY OTHER JURISDICTION. ANY JUDICIAL PROCEEDING BY THE BORROWER AGAINST THE AGENT OR ANY LENDER OR ANY AFFILIATE OF THE AGENT OR ANY LENDER INVOLVING, DIRECTLY OR

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INDIRECTLY, ANY MATTER IN ANY WAY ARISING OUT OF, RELATED TO, OR CONNECTED WITH ANY LOAN DOCUMENT SHALL BE BROUGHT ONLY IN A COURT IN CHICAGO, ILLINOIS.

9.14. WAIVER OF JURY TRIAL. THE BORROWER, THE AGENT AND EACH LENDER HEREBY WAIVE TRIAL BY JURY IN ANY JUDICIAL PROCEEDING INVOLVING, DIRECTLY OR INDIRECTLY, ANY MATTER (WHETHER SOUNDING IN TORT, CONTRACT OR OTHERWISE) IN ANY WAY ARISING OUT OF, RELATED TO, OR CONNECTED WITH ANY LOAN DOCUMENT OR THE RELATIONSHIP ESTABLISHED THEREUNDER.

#### ARTICLE X

##### THE AGENT

10.1. Appointment. The First National Bank of Chicago is hereby appointed Agent hereunder and under each other Loan Document, and each of the Lenders irrevocably authorizes the Agent to act as the agent of such Lender. The Agent agrees to act as such upon the express conditions contained in this Article X. The Agent shall not have a fiduciary relationship in respect of the Borrower or any Lender by reason of this Agreement.

10.2. Powers. The Agent shall have and may exercise such powers under the Loan Documents as are specifically delegated to the Agent by the terms of each thereof, together with such powers as are reasonably incidental thereto. The Agent shall have no implied duties to the Lenders, or any obligation to the Lenders to take any action thereunder except any action specifically provided by the Loan Documents to be taken by the Agent.

10.3. General Immunity. Neither the Agent nor any of its directors, officers, agents or employees shall be liable to the Borrower, the Lenders or any Lender for (i) any action taken or omitted to be taken by it or them hereunder or under any other Loan Document or in connection herewith or therewith except for its or their own gross negligence or willful misconduct; or (ii) any determination by the Agent that compliance with any law or any governmental or quasi-governmental rule, regulation, order, policy, guideline or directive (whether or not having the force of law) requires the Advances and Commitments hereunder to be classified as being part of a "highly leveraged transaction."

10.4. No Responsibility for Loans, Recitals, etc. Neither the Agent nor any of its directors, officers, agents or employees shall be responsible for or have any duty to ascertain, inquire into, or verify (i) any statement, warranty or representation made in connection with any Loan Document or any borrowing hereunder; (ii) the performance or observance of any of the covenants or agreements of any obligor under any Loan Document, including, without limitation, any agreement by an obligor to furnish information directly to each Lender; (iii) the satisfaction of any condition specified in Article IV, except receipt of items required to be

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delivered to the Agent; (iv) the validity, effectiveness or genuineness of any Loan Document or any other instrument or writing furnished in connection therewith; or (v) the value, sufficiency, creation, perfection or priority of any interest in any collateral security. The Agent shall have no duty to disclose to the Lenders information that is not required to be furnished by the Borrower to the Agent at such time, but is voluntarily furnished by the Borrower to the Agent (either in its capacity as Agent or in its individual capacity).

10.5. Action on Instructions of Lenders. The Agent shall in all cases be fully protected in acting, or in refraining from acting, hereunder and under any other Loan Document in accordance with written instructions signed by the Required Lenders, and such instructions and any action taken or failure to act pursuant thereto shall be binding on all of the Lenders and on all holders of Notes. The Agent shall be fully justified in failing or refusing to take any action hereunder and under any other Loan Document unless it shall first be indemnified to its satisfaction by the Lenders pro rata against any and all liability, cost and expense that it may incur by reason of taking or continuing to take any such action.

10.6. Employment of Agents and Counsel. The Agent may execute any of its duties as Agent hereunder and under any other Loan Document by or through employees, agents, and attorneys-in-fact and shall not be answerable to the Lenders, except as to money or securities received by it or its authorized agents, for the default or misconduct of any such agents or attorneys-in-fact selected by it with reasonable care. The Agent shall be entitled to advice of counsel concerning all matters pertaining to the agency hereby created and its duties hereunder and under any other Loan Document.

10.7. Reliance on Documents; Counsel. The Agent shall be entitled to rely upon any Note, notice, consent, certificate, affidavit, letter, telegram, statement, paper or document believed by it to be genuine and correct and to have been signed or sent by the proper person or persons, and, in respect to legal matters, upon the opinion of counsel selected by the Agent, which counsel may be employees of the Agent.

10.8. Agent's Reimbursement and Indemnification. The Lenders agree to reimburse and indemnify the Agent ratably in proportion to their respective Commitments (i) for any amounts not reimbursed by the Borrower for which the Agent is entitled to reimbursement by the Borrower under the Loan Documents, (ii) for any other expenses incurred by the Agent on behalf of the Lenders, in connection with the preparation, execution, delivery, administration and enforcement of the Loan Documents and (iii) for any liabilities, obligations, losses, damages, penalties, actions, judgments, suits, costs, expenses or disbursements of any kind and nature whatsoever which may be imposed on, incurred by or asserted against the Agent in any way relating to or arising out of the Loan Documents or any other document delivered in connection therewith or the transactions contemplated thereby, or the enforcement of any of the terms thereof or of any such other documents, provided that no Lender shall be liable for any of the foregoing to the extent they arise from the gross negligence or willful misconduct of the Agent. The obligations of the Lenders under this Section 10.8 shall survive payment of the Obligations and termination of this Agreement.

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10.9. Rights as a Lender. In the event the Agent is a Lender, the Agent shall have the same rights and powers hereunder and under any other Loan Document as any Lender and may exercise the same as though it were not the Agent, and the term "Lender" or "Lenders" shall, at any time when the Agent is a Lender, unless the context otherwise indicates, include the Agent in its individual capacity. The Agent may accept deposits from, lend money to, and generally engage in any kind of trust, debt, equity or other transaction, in addition to those contemplated by this Agreement or any other Loan Document, with the Borrower or any of its Subsidiaries in which the Borrower or such Subsidiary is not restricted hereby from engaging with any other Person. The Agent, in its individual capacity, is not obligated to remain a Lender.

10.10. Lender Credit Decision. Each Lender acknowledges that it has, independently and without reliance upon the Agent or any other Lender and based on the financial statements prepared by the Borrower and such other documents and information as it has deemed appropriate, made its own credit analysis and decision to enter into this Agreement and the other Loan Documents. Each Lender also acknowledges that it will, independently and without reliance upon the Agent or any other Lender 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 and the other Loan Documents.

10.11. Successor Agent. The Agent may resign at any time by giving written notice thereof to the Lenders and the Borrower, such resignation to be effective upon the appointment of a successor Agent or, if no successor Agent has been appointed, forty-five days after the retiring Agent gives notice of its intention to resign. Upon any such resignation, the Required Lenders shall have the right to appoint, on behalf of the Borrower and the Lenders, a successor Agent. If no successor Agent shall have been so appointed by the Required Lenders within thirty days after the resigning Agent's giving notice of its intention to resign, then the resigning Agent may appoint, on behalf of the Borrower and the Lenders, a successor Agent. If the Agent has resigned and no successor Agent has been appointed, the Lenders may perform all the duties

of the Agent hereunder and the Borrower shall make all payments in respect of the Obligations to the applicable Lender and for all other purposes shall deal directly with the Lenders. No successor Agent shall be deemed to be appointed hereunder until such successor Agent has accepted the appointment. Any such successor Agent shall be a commercial bank having capital and retained earnings of at least \$50,000,000. 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 resigning Agent. Upon the effectiveness of the resignation of the Agent, the resigning Agent shall be discharged from its duties and obligations hereunder and under the Loan Documents. After the effectiveness of the resignation of an Agent, the provisions of this Article XI shall continue in effect for the benefit of such Agent in respect of any actions taken or omitted to be taken by it while it was acting as the Agent hereunder and under the other Loan Documents.

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10.12. Commitment as a Lender. First Chicago agrees to provide a Commitment of at least \$10,000,000 so long as First Chicago remains as Agent; provided, that the foregoing agreement of First Chicago shall not apply to assignments of all or any portion of First Chicago's Commitment which are made at any time following a Default by Borrower hereunder and prior to the cure or waiver of such Default.

#### ARTICLE XI

##### SETOFF; RATABLE PAYMENTS

11.1. Setoff. In addition to, and without limitation of, any rights of the Lenders under applicable law, if a Default occurs, any and all deposits (including all account balances, whether provisional or final and whether or not collected or available) and any other Indebtedness at any time held or owing by any Lender to or for the credit or account of the Borrower may be offset and applied toward the payment of the Obligations owing to such Lender, whether or not the Obligations, or any part hereof, shall then be due.

11.2. Ratable Payments. If any Lender, whether by setoff or otherwise, has payment made to it upon its Loans (other than payments received pursuant to Sections 3.1, 3.2 or 3.4) in a greater proportion than that received by any other Lender, such Lender agrees, promptly upon demand, to purchase a portion of the Loans held by the other Lenders so that after such purchase each Lender will hold its ratable proportion of Loans. If any Lender, whether in connection with setoff or amounts which might be subject to setoff or otherwise, receives collateral or other protection for its Obligations or such amounts which may be subject to setoff, such Lender agrees, promptly upon demand, to take such action necessary such that all Lenders share in the benefits of such collateral ratably in proportion to their Loans. In case any such payment is disturbed by legal process, or otherwise, appropriate further adjustments shall be made.

#### ARTICLE XII

##### BENEFIT OF AGREEMENT; ASSIGNMENTS; PARTICIPATION

12.1. Successors and Assigns. The terms and provisions of the Loan Documents shall be binding upon and inure to the benefit of the Borrower and the Lenders and their respective successors and assigns, except that (i) the Borrower shall not have the right to assign its rights or obligations under the Loan Documents and (ii) any assignment by any Lender must be made in compliance with Section 12.3. Notwithstanding clause (ii) of this Section, any Lender may at any time, without the consent of the Borrower or the Agent, assign all or any portion of its rights under this Agreement and its Notes to a Federal Reserve Bank; provided, however, that no such assignment shall release the transferor Lender from its obligations hereunder. The Agent may treat the payee of any Note as the owner thereof for

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all purposes hereof unless and until such payee complies with Section 12.3 in the case of an assignment thereof or, in the case of any other transfer, a written notice of the transfer is filed with the Agent. Any assignee or transferee of a Note agrees by acceptance thereof to be bound by all the terms and provisions of the Loan Documents. Any request, authority or consent of any Person, who at the time of making such request or giving such authority or

consent is the holder of any Note, shall be conclusive and binding on any subsequent holder, transferee or assignee of such Note or of any Note or Notes issued in exchange therefor.

## 12.2. Participations.

12.2.1 Permitted Participants; Effect. Any Lender may, in the ordinary course of its business and in accordance with applicable law, at any time sell to one or more financial institutions, pension funds, or any other fund or entity that regularly makes or participates in real estate loans as part of its business ("Participants") participating interests in any Loan owing to such Lender, any Note held by such Lender, any Commitment of such Lender or any other interest of such Lender under the Loan Documents. In the event of any such sale by a Lender of participating interests to a Participant, such Lender's obligations under the Loan Documents shall remain unchanged, such Lender shall remain solely responsible to the other parties hereto for the performance of such obligations, such Lender shall remain the holder of any such Note for all purposes under the Loan Documents, all amounts payable by the Borrower under this Agreement shall be determined as if such Lender had not sold such participating interests, and the Borrower and the Agent shall continue to deal solely and directly with such Lender in connection with such Lender's rights and obligations under the Loan Documents. Notwithstanding anything contained in this Agreement to the contrary, Borrower shall not be obligated to pay any fees and expenses incurred by any Lender in connection with the sale of any participating interests in any Loan pursuant to this Section.

12.2.2. Voting Rights. Each Lender shall retain the sole right to approve, without the consent of any Participant, any amendment, modification or waiver of any provision of the Loan Documents other than any amendment, modification or waiver with respect to any Loan or Commitment in which such Participant has an interest which forgives principal, interest or fees or reduces the interest rate or fees payable with respect to any such Loan or Commitment, postpones any date fixed for any regularly-scheduled payment of principal of, or interest or fees on, any such Loan or Commitment, releases any guarantor of any such Loan or releases any substantial portion of collateral, if any, securing any such Loan.

12.2.3. Benefit of Setoff. The Borrower agrees each Participant (where Borrower has received at least thirty (30) days' prior notice of the existence of such Participant) shall be deemed to have the right of setoff provided in Section 11.1 in respect of its participating interest in amounts owing under the Loan Documents to the same extent as if the amount of its participating interest were owing directly to it as a

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Lender under the Loan Documents, provided that each Lender shall retain the right of setoff provided in Section 11.1 with respect to the amount of participating interests sold to each such Participant. The Lenders agree to share with each such Participant, and each Participant, by exercising the right of setoff provided in Section 12.1, agrees to share with each Lender, any amount received pursuant to the exercise of its right of setoff, such amounts to be shared in accordance with Section 11.2 as if each such Participant were a Lender.

## 12.3. Assignments.

12.3.1. Permitted Assignments. Any Lender may, in the ordinary course of its business and in accordance with applicable law, at any time assign to one or more financial institutions, pension funds, or any other fund or entity that regularly makes or participates in real estate loans as part of its business ("Purchasers") all or any portion (greater than or equal to \$5,000,000 per assignee) of its rights and obligations under the Loan Documents. Such assignment shall be substantially in the form of Exhibit D hereto or in such other form as may be agreed to by the parties thereto. The consent of the Agent shall be required prior to an assignment becoming effective with respect to a Purchaser which is not a Lender or an Affiliate thereof. Such consent shall not be unreasonably withheld. Notwithstanding anything contained in this Agreement to the contrary, Borrower shall not be obligated to pay any fees and expenses incurred by any Lender in connection with any assignment of any portion of the initial \$25,000,000 Maximum Aggregate Commitment pursuant to this Section; Borrower shall pay all of Agent's reasonable fees and expenses in connection with any future assignments of amounts



representing increases in the Aggregate Commitment above the initial \$25,000,000 Maximum Aggregate Commitment.

12.3.2. Effect; Effective Date. Upon (i) delivery to the Agent of a notice of assignment, substantially in the form attached as Exhibit I to Exhibit D hereto (a "Notice of Assignment"), together with any consents required by Section 12.3.1, and (ii) payment by the assigning party of a \$2,500 fee to the Agent for processing such assignment, such assignment shall become effective on the effective date specified in such Notice of Assignment. The Notice of Assignment shall contain a representation by the Purchaser to the effect that none of the consideration used to make the purchase of the Commitment and Loans under the applicable assignment agreement are "plan assets" as defined under ERISA and that the rights and interests of the Purchaser in and under the Loan Documents will not be "plan assets" under ERISA. On and after the effective date of such assignment, such Purchaser shall for all purposes be a Lender party to this Agreement and any other Loan Document executed by the Lenders and shall have all the rights and obligations of a Lender under the Loan Documents, to the same extent as if it were an original party hereto, and no further consent or action by the Borrower, the Lenders or the Agent shall be required to release the transferor Lender with respect to the percentage of the Aggregate Commitment and Loans assigned to such Purchaser. Upon the

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consummation of any assignment to a Purchaser pursuant to this Section 12.3.2, the transferor Lender, the Agent and the Borrower shall make appropriate arrangements so that replacement Notes are issued to such transferor Lender and new Notes or, as appropriate, replacement Notes, are issued to such Purchaser, in each case in principal amounts reflecting their Commitment, as adjusted pursuant to such assignment.

12.4. Dissemination of Information. The Borrower authorize each Lender to disclose to any Participant or Purchaser or any other Person acquiring an interest in the Loan Documents by operation of law (each a "Transferee") and any prospective Transferee any and all information in such Lender's possession concerning the creditworthiness of the Borrower and its Subsidiaries.

12.5. Tax Treatment. If any interest in any Loan Document is transferred to any Transferee which is organized under the laws of any jurisdiction other than the United States or any State thereof, the transferor Lender shall cause such Transferee, concurrently with the effectiveness of such transfer, to comply with the provisions of Section 2.19.

#### ARTICLE XIII

##### NOTICES

13.1. Giving Notice. Except as otherwise permitted by Section 2.14 with respect to borrowing notices, all notices and other communications provided to any party hereto under this Agreement or any other Loan Document shall be in writing or by facsimile and addressed or delivered to such party at its address set forth below its signature hereto or at such other address as may be designated by such party in a notice to the other parties. Any notice transmitted by facsimile, shall be deemed given when received according to the recipient's automatically generated answerback. Any notice transmitted by Federal Express or other recognized overnight courier shall be presumed (rebuttably) given the business day after it is sent. Any other notice shall be effective only when actually received.

13.2. Change of Address. The Borrower, the Agent and any Lender may each change the address for service of notice upon it by a notice in writing to the other parties hereto.

#### ARTICLE XIV

##### COUNTERPARTS

This Agreement may be executed in any number of counterparts, all of which taken together shall constitute one agreement, and any of the parties hereto may execute this Agreement by signing any such counterpart. This Agreement shall be effective when it has

been executed by the Borrower, the Agent and the Lender and each party has notified the Agent by telex or telephone, that it has taken such action.

ARTICLE XV

NO OFFICER, ETC. LIABILITY

No trustee, officer or agent of the trust shall be held to any personal liability whatsoever, in tort, contract or otherwise, in connection with the transactions contemplated by this Agreement.

IN WITNESS WHEREOF, the Borrower, the Lender and the Agent have executed this Agreement as of the date first above written.

WASHINGTON REAL ESTATE  
INVESTMENT TRUST

By: \_\_\_\_\_

Print Name: Edmund B. Cronin, Jr.

Title: President and Chief Operating  
Officer

10400 Connecticut Avenue, Concourse  
Level  
Kensington, Maryland 20895  
phone: 301-929-5900  
facsimile: 301-929-5910

Attention: Edmund B. Cronin, Jr.

Commitments

- - - - -

\$25,000,000

THE FIRST NATIONAL BANK OF  
CHICAGO, Individually and as Agent

By: \_\_\_\_\_

Print Name: James C. Rozek

Title: Vice President

One First National Plaza  
Chicago, Illinois 60670

Attention: Real Estate Finance  
Department

WASHINGTON REAL ESTATE INVESTMENT TRUST  
NONQUALIFIED STOCK OPTION AGREEMENT

This Nonqualified Stock Option Agreement dated December 19, 1995.

WITNESSETH:

1. Washington Real Estate Investment Trust, a real estate investment trust organized under the laws of the District of Columbia (the "Trust"), on the date set forth above has granted, and hereby evidences the grant to Edmund B. Cronin, Jr. residing at 16320 Batchellors Forest Road, Olney, Maryland 20832 (the "Optionee"), subject to the terms and conditions set forth herein, of the right and option to purchase from the Trust an aggregate of 13,333 shares of beneficial interest of the Trust ("Shares") at the purchase price of \$14.625 per share, such option to be exercisable as hereinafter provided.

2. The above-referenced option is exercisable as follows: fifty percent (50%) of such Shares may be purchased from the Trust in whole at any time or in part from time-to-time after the first anniversary date hereof, and one hundred percent (100%) may be so purchased after the second anniversary of such date.

Notwithstanding the above, the above-referenced option shall become exercisable in full as to the total number of Shares hereinabove referred to in the event of Optionee's termination of employment from the Trust (i) due to death or (ii) due to the incurrence of a total and permanent disability.

The option is cumulative; any portion of the option not exercised at the time it first becomes exercisable may be exercised at any time thereafter prior to the expiration of the term hereof.

The Shares may be purchased by giving the Trust written notice to exercise by written notice specifying the number of Shares to be purchased and the date on which the purchase will be completed. Such notice shall contain a statement by the Optionee that the Optionee has represented to the Trust that it is his present intention to acquire the Shares being purchased for investment and not with a view to resale or distribution. The certificates representing the Shares shall be legended appropriately to reflect the fact that the Shares have not been registered under the Securities Act of 1933 and that no sale or other distribution of such Shares may be made except pursuant to an effective registration statement under said Act or in a transaction exempt from such registration requirements. Upon the date of purchase so specified, Optionee shall deliver to the Trust the purchase price of the Shares to be purchased against delivery thereof to Optionee. The purchase price shall be paid in the form of cash, personal check and/or Shares of the Trust (at the current fair market value of such Shares). The Trust shall deliver such Shares on such date of purchase or within a reasonable period of time thereafter, provided, however, that if any law, regulation, or agreement requires the Trust to take any action with respect to such Shares before the issuance thereof, then the date of delivery of such Shares shall be extended for the period necessary to take such actions.

Prior to delivery of such Shares, the Optionee shall pay to the Trust such amount as the Trust determines is necessary to enable the Trust to meet any Federal and state tax withholding obligations

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attributable to the exercise of the option or make appropriate arrangements with the Trust to effectuate such Federal and state tax withholding obligations.

3. Without limiting the generality of the preceding paragraphs, it is understood and agreed that this Agreement and the option evidenced hereby are subject to the following conditions:

(a) The option shall not in any event be exercisable after the close of business on the day ("Expiration Date") which is ten (10) years after the date hereof;

(b) the option shall not be assignable or transferable by the Optionee except by will or the laws of descent and distribution, and during the lifetime of the Optionee shall be exercisable only by the Optionee or the Optionee's guardian or legal representative. Upon any attempt to transfer, assign, pledge, hypothecate or otherwise dispose of the option or any of the

rights of the Optionee hereunder (other than by will or the laws of descent and distribution), the option shall immediately become null and void and the rights and privileges of the Optionee hereunder shall immediately terminate;

(c) upon the death or total and permanent disability of the Optionee, the then exercisable portion of the option shall terminate one year after the date of such event but in no event later than the Expiration Date of the option. During this period of time, the option may be exercised by the Optionee, or the Optionee's guardian or legal representative, or in the event of the Optionee's death, the Optionee's estate, personal representative or beneficiary who acquires the option by will or by the laws of descent and distribution;

(d) if the Optionee ceases to be employed by the Trust due to termination of his employment without cause by the Trust, or expiration of the Optionee's Employment Agreement with the Trust without continuation of employment by the Trust, the then non-exercisable portion of the option shall terminate immediately and the then exercisable portion of the option shall terminate one year after the date of such termination of employment;

(e) if the Optionee ceases to be employed by the Trust due to termination of his employment for cause or voluntary termination by the Optionee, the then non-exercisable portion of the option shall terminate immediately and the then exercisable portion of the option shall terminate ninety (90) days after the date of such termination of employment;

(f) if the Optionee ceases to be employed by the Trust due to retirement at or after age 65, the option shall continue in accordance with its terms and shall expire on its Expiration Date unless previously exercised;

(g) the Optionee shall have none of the rights or privileges of a shareholder with respect to the Shares issuable upon the exercise of the option until certificates representing such Shares shall have been issued and delivered to him upon the exercise of his Option;

4. The number and price of the Shares subject to this option shall be proportionately adjusted to reflect, as deemed equitable and appropriate by the Trust, any stock dividends, stock split or share combination of the Shares or recapitalization of the Trust or any new equity underwriting of the Trust. To the extent deemed equitable and appropriate by the Trust, subject to any required

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action by shareholders, in any merger, consolidation, reorganization, liquidation or dissolution, this option shall pertain to the securities and other property to which a holder of the number of Shares covered by the option would have been entitled to receive in connection with such event.

Upon the dissolution or liquidation of the Trust, this option shall terminate; but the Optionee shall have the right, immediately prior to such dissolution or liquidation, to exercise this option in full to the extent not theretofore exercised regardless of any provision in this Agreement providing for the deferment of the exercise thereof.

5. Neither the execution and delivery hereof, the granting of the option evidenced hereby, nor the Trust's obligation to deliver Shares upon the exercise of the option evidenced hereby shall constitute or be evidence of any agreement or understanding, express or implied, on the part of the Trust to employ the Optionee for any specific period.

6. Any notice required to be given hereunder to the Trust shall be addressed to the Trust as follows: Washington Real Estate Investment Trust, 10400 Connecticut Avenue, Concourse Level, Kensington, MD 20895 and any notice required to be given hereunder to the Optionee shall be addressed to him at his address shown hereinabove, or to such other address as either party shall furnish in writing to the other.

7. The Optionee agrees to be bound by the terms and conditions hereof.

8. This Agreement may be amended at any time by the written consent of both parties hereto, but shall not be amended so as to increase the number of Shares purchasable hereunder or decrease the purchase price thereof without the approval by vote of Shareholders owning a majority of the Trust's outstanding Shares.

IN WITNESS WHEREOF, the Trust, by its duly authorized officer, and the Optionee have executed this agreement in duplicate as of the day and year first above written.

ATTEST:

WASHINGTON REAL ESTATE  
INVESTMENT TRUST

/s/ Mary T. Dean  
-----

By: /s/ Larry Finger  
-----

WITNESS:

OPTIONEE

/s/ Mary T. Dean  
-----

/s/ Edmund B. Cronin, Jr.  
-----  
Edmund B. Cronin, Jr.

CONSENT OF INDEPENDENT ACCOUNTANTS

To the Trustees and Shareholders of  
Washington Real Estate Investment Trust

We hereby consent to the incorporation by reference in the Registration Statement on Form S-8 of our report dated March 27, 1996, which appears on page 20 of Washington Real Estate Investment Trust's Annual Report on Form 10-K for the year ended December 31, 1995.

PRICE WATERHOUSE LLP  
Washington, D.C.  
March 27, 1996

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