

# SECURITIES AND EXCHANGE COMMISSION

## FORM 10-Q

Quarterly report pursuant to sections 13 or 15(d)

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### FILER

#### **CARRAMERICA REALTY CORP**

CIK: **893577** | IRS No.: **521796339** | State of Incorpor.: **MD** | Fiscal Year End: **1231**  
Type: **10-Q** | Act: **34** | File No.: **001-11706** | Film No.: **96566150**  
SIC: **6500** Real estate

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SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20543

FORM 10-Q

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

FOR QUARTER ENDED March 31, 1996

COMMISSION FILE NO. 1-11706

CARRAMERICA REALTY CORPORATION

(Exact name of registrant as specified in its charter)

<TABLE>

<p>&lt;S&gt;</p>	<p>Maryland</p>	<p>&lt;C&gt;</p>	<p>52-1796339</p>
<p>-----</p>		<p>-----</p>	
<p>(State or other jurisdiction of incorporation or organization)</p>		<p>(I.R.S. Employer Identification Number)</p>	

</TABLE>

1700 Pennsylvania Avenue, N.W., Washington, D.C. 20006

(Address or principal executive office) (Zip code)

Registrant's telephone number, including area code (202) 624-7500

Carr Realty Corporation

(Former name, former address and former fiscal year, if changed since last report)

Number of shares outstanding of each of the registrant's classes of common stock, as of May 9, 1996:

Common Stock, par value \$.01 per share: 25,200,469

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	
	-----		-----

INDEX

<TABLE>

<CAPTION>

<p>&lt;S&gt;</p>	<p>Page</p>
<p>Part I: Financial Information</p>	<p>-----</p>
<p>-----</p>	
<p>Item 1. Financial Statements</p>	
<p>Condensed consolidated balance sheets of CarrAmerica Realty Corporation and subsidiaries as of March 31, 1996 (unaudited) and December 31, 1995 . . . . .</p>	<p>4</p>
<p>Condensed consolidated statements of operations of CarrAmerica Realty Corporation</p>	

and subsidiaries for the three months ended March 31, 1996 and 1995 (unaudited) . .	5
Condensed consolidated statements of cash flows of CarrAmerica Realty Corporation and subsidiaries for the three months ended March 31, 1996 and 1995 (unaudited) . .	6
Notes to condensed consolidated financial statements . . . . .	7
Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations . . . . .	14
Part II: Other Information	
-----	
Item 1. Legal Proceedings . . . . .	20
Item 2. Changes in Securities . . . . .	20
Item 3. Defaults Upon Senior Securities . . . . .	20
Item 4. Submission of Matters to a Vote of Security Holders . . . . .	20
Item 5. Other Information . . . . .	20
Item 6. Exhibits and Reports on Form 8-K . . . . .	21

2

3

PART I

ITEM 1. FINANCIAL INFORMATION

The information furnished in the accompanying condensed consolidated balance sheets, condensed consolidated statements of operations and condensed consolidated statements of cash flows of CarrAmerica Realty Corporation and subsidiaries (the Company) reflect all adjustments which are, in the opinion of management, necessary for a fair presentation of the aforementioned financial statements for the interim periods.

The aforementioned financial statements should be read in conjunction with the notes to the financial statements and Management's Discussion and Analysis of Financial Condition and Results of Operations.

3

4

CARRAMERICA REALTY CORPORATION AND SUBSIDIARIES  
Condensed Consolidated Balance Sheets  
As of March 31, 1996 and December 31, 1995

	MARCH 31, 1996 (UNAUDITED)	December 31, 1995
	-----	-----
(In thousands, except common share amounts)		
<S>	<C>	<C>
Assets		
-----		
Rental property (note 2):		
Land	\$ 162,159	115,565
Buildings	408,032	301,537
Tenant improvements	74,762	60,060
Furniture, fixtures and equipment	2,872	3,427
	-----	-----
	647,825	480,589
Less - accumulated depreciation	(101,282)	(98,873)
	-----	-----
Total rental property	546,543	381,716
	-----	-----

Cash and cash equivalents	20,233	9,217
Restricted cash and cash equivalents (note 2)	2,056	2,249
Accounts receivable and notes receivable	8,198	8,728
Investments (note 4)	11,404	10,745
Accrued straight-line rents	22,601	22,437
Tenant leasing costs, net	10,375	10,746
Deferred financing costs, net	2,464	2,267
Prepaid expenses and other assets, net	11,484	10,755
	-----	-----
	\$ 635,358	458,860
	=====	=====
Liabilities, Minority Interest, and Stockholders' Equity		
-----		
Liabilities:		
Mortgages and notes payable (note 2)	496,957	317,374
Accounts payable and accrued expenses	5,959	9,357
Rent received in advance and security deposits	4,059	1,736
	-----	-----
Total liabilities	506,975	328,467
	-----	-----
Minority interest (note 3)	34,876	34,850
Stockholders' equity:		
Common stock, \$.01 par value, authorized 30,000,000 shares, issued and outstanding 13,547,492 at March 31, 1996 and 13,409,177 at December 31, 1995	136	134
Additional paid in capital	127,376	126,835
Cumulative dividends paid in excess of net income	(34,005)	(31,426)
	-----	-----
Total stockholders' equity	93,507	95,543
	-----	-----
Commitments (note 5)		
	\$ 635,358	458,860
	=====	=====

</TABLE>

See accompanying notes to condensed consolidated financial statements.

4

5

CARRAMERICA REALTY CORPORATION AND SUBSIDIARIES  
Condensed Consolidated Statements of Operations  
For the Three Months Ended March 31, 1996 and 1995

(Unaudited and in thousands, except per common share amounts)

<TABLE>

<CAPTION>

	1996	1995
	----	----
<S>	<C>	<C>
Real estate operating revenue:		
Rental revenue (note 5):		
Minimum base rent	\$ 21,913	19,479
Recoveries from tenants	2,035	1,170
Parking and other tenant charges	1,402	1,147
	-----	-----
Total rental revenue	25,350	21,796
Real estate service income	2,726	2,480
	-----	-----
Total revenue	28,076	24,276
	-----	-----
Real estate operating expenses:		
Property operating expenses:		
Operating expenses	6,231	4,957
Real estate taxes	2,760	2,562
Interest expense	6,532	5,257
General and administrative	2,748	2,609

Depreciation and amortization	5,484	4,385
	-----	-----
Total operating expenses	23,755	19,770
	-----	-----
Real estate operating income	4,321	4,506
	-----	-----
Other operating income (expense):		
Interest Income	306	283
Equity in earnings (losses) of unconsolidated partnerships (note 4)	98	(41)
	-----	-----
Total other operating income	404	242
	-----	-----
Net operating income before minority interest	4,725	4,748
	-----	-----
Minority interest (note 3)	(1,390)	(1,491)
	-----	-----
Net income	\$ 3,335	3,257
	=====	=====
Net income per common share	\$ 0.25	0.25
	=====	=====

</TABLE>

See accompanying notes to condensed consolidated financial statements.

5

6

CARRAMERICA REALTY CORPORATION AND SUBSIDIARIES  
Condensed Consolidated Statements of Cash Flows  
For the Three Months Ended March 31, 1996 and 1995

<TABLE>  
<CAPTION>  
(Unaudited and in thousands)

	1996	1995
	----	----
Cash flows from operating activities:	<C>	<C>
Net income	3,335	3,257
	-----	-----
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	5,484	4,385
Minority interest in income	1,390	1,491
Equity in (earnings) losses of unconsolidated partnerships	(91)	48
Decrease (increase) in accounts receivable	530	(1,141)
Decrease (increase) in accrued straight-line rents	(164)	431
Additions to tenant leasing costs	(282)	(128)
Increase in prepaid expenses and other assets	(1,108)	(378)
Decrease in accounts payable and accrued expenses	(2,416)	(287)
Increase in rent received in advance and security deposits	2,323	294
	-----	-----
Total adjustments	5,666	4,715
	-----	-----
Net cash provided by operating activities	9,001	7,972
	-----	-----
Cash flows from investing activities:		
Acquisition of rental property	(168,156)	--
Additions to rental property	(969)	(2,801)
Acquisition of real estate service contracts and other intangibles	--	(7,339)
Investments in unconsolidated partnerships	(568)	(1,955)
Acquisition of minority interest	(3)	--
Distributions from unconsolidated partnerships	7	115
Decrease (increase) in restricted cash and cash equivalents	193	(827)
Notes receivable issued	--	(1,500)

Net cash used by investing activities	(169,496)	(14,307)
Cash flows from financing activities:		
Borrowings on mortgages and notes payable	180,000	6,720
Contributions from minority interests	--	17
Dividends paid	(5,914)	(5,803)
Repayment of mortgages and notes payable	(417)	(445)
Additions to deferred financing costs	(361)	--
Distributions to minority interest	(1,797)	(1,926)
Net cash provided (used) by financing activities	171,511	(1,437)
Increase (decrease) in unrestricted cash and cash equivalents	11,016	(7,772)
Unrestricted cash and cash equivalents, beginning of the period	9,217	18,462
Unrestricted cash and cash equivalents, end of the period	20,233	10,690
Supplemental disclosure of cash flow information:		
Cash paid for interest, net of capitalized interest of \$226 and \$0 for the three months ended March 31, 1996 and 1995, respectively.	6,417	5,173

</TABLE>

Supplemental disclosure of noncash investing and financing activities:

On January 31, 1996, the Company issued 40,909 Class A Units of Carr Realty, L.P., valued at approximately \$1.0 million, as payment of a liability.

See accompanying notes to condensed consolidated financial statements.

CARRAMERICA REALTY CORPORATION AND SUBSIDIARIES  
Notes to Condensed Consolidated Financial Statements  
(Unaudited)

(1) ORGANIZATION, BUSINESS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(a) BUSINESS

CarrAmerica Realty Corporation (the Company) is a self-administered and self-managed equity real estate investment trust (REIT), organized under the laws of Maryland, which owns, develops, acquires and operates office buildings.

(b) PRINCIPLES OF CONSOLIDATION

The accounts of the Company and its majority-owned subsidiaries are consolidated in the accompanying financial statements. All significant intercompany balances and transactions have been eliminated in consolidation. As used hereafter, the Company refers to CarrAmerica Realty Corporation and its consolidated subsidiaries.

(b) INTERIM FINANCIAL STATEMENTS

The information furnished reflects all adjustments which are, in the opinion of management, necessary to reflect a fair statement of the results for the interim periods presented, and all such adjustments are of a normal recurring nature.

(d) RENTAL PROPERTY

Rental property is recorded at cost less accumulated depreciation (which is less than the net realizable value of the property). Depreciation is computed on the straight-line basis over the estimated useful lives of the assets, as follows:

<TABLE>

<S>	<C>
Base building . . . . .	30 to 50 years

Building components . . . . .	7 to 20 years
Tenant improvements . . . . .	Terms of the leases or useful lives, whichever is shorter
Furniture, fixtures and equipment . . . . .	5 to 15 years

</TABLE>

Expenditures for maintenance and repairs are charged to operations as incurred. Significant renovations are capitalized.

(e) TENANT LEASING COSTS

Fees and costs incurred in the successful negotiation of leases have been deferred and are being amortized on the straight-line basis over the terms of the respective leases.

(f) DEFERRED FINANCING COSTS

Deferred financing costs include fees and costs incurred to obtain long-term financing and are being amortized over the terms of the respective loans on a basis which approximates the interest method.

(g) FAIR VALUE OF FINANCIAL INSTRUMENTS

The carrying amount of the following financial instruments approximates fair value because of their short-term maturity: cash and cash equivalents; accounts and notes receivable; accounts payable and other liabilities; and accrued expenses.

CARRAMERICA REALTY CORPORATION AND SUBSIDIARIES  
Notes to Condensed Consolidated Financial Statements - (Continued)  
(Unaudited)

(h) REAL ESTATE SERVICE CONTRACTS AND OTHER INTANGIBLE ASSETS

Real estate service contracts and other intangible assets, including goodwill, represent the purchase price of net assets of real estate service operations acquired and are amortized on the straight-line basis over the expected lives of the respective real estate service contracts. Goodwill, which represents the excess of purchase price over the fair value of net assets acquired, is amortized on the straight-line basis over the expected periods to be benefited, generally 15 years. The Company assesses the recoverability of these intangible assets by determining whether the amortization of the balance over its remaining life can be recovered through undiscounted future operating cash flows of the acquired operation. The amount of impairment loss, if any, is measured as the amount by which the carrying amount of the assets exceeds the fair value of the assets. The assessment of the recoverability of these intangible assets will be impacted if estimated future operating cash flows are not achieved.

(i) REVENUE RECOGNITION

The Company reports base rental revenue for financial statement purposes straight-line over the terms of the respective leases. Accrued straight-line rents represent the amount that straight-line rental revenue exceeds rents collected in accordance with the lease agreements. Management, considering current information and events regarding the tenants' ability to fulfill their lease obligations, considers accrued straight-line rents to be impaired if it is probable that the Company will be unable to collect all rents due according to the contractual lease terms. If accrued straight-line rents associated with a tenant are considered to be impaired, the amount of the impairment is measured based on the present value of expected future cash flows. Impairment losses, if any, are recorded through a loss on the write-off of assets. Cash receipts on impaired accrued straight-line rents are applied to reduce the remaining outstanding balance and as rental revenue, thereafter.

The Company receives monthly management fees generally equal

to 2% to 3% of the gross monthly revenue of each property it manages. Management fees are recognized as revenue as they are earned.

The Company receives monthly leasing fees generally equal to 1.5% to 2.0% of the gross monthly revenue of certain properties it manages. These leasing fees are recognized as revenue as they are earned. For certain other managed properties, leasing commissions are received at the time a lease is executed or at lease commencement. Such leasing fees are recognized as revenue upon lease execution or lease commencement, when earned.

(j) INCOME AND OTHER TAXES

The Company qualifies as a REIT under Sections 856 through 860 of the Internal Revenue Code of 1986, as amended. A REIT will generally not be subject to federal income taxation on that portion of its income that qualifies as REIT taxable income to the extent that it distributes at least 95 percent of its taxable income to its shareholders and complies with certain other requirements. Accordingly, no

8

9

CARRAMERICA REALTY CORPORATION AND SUBSIDIARIES  
Notes to Condensed Consolidated Financial Statements - (Continued)  
(Unaudited)

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provision has been made for federal income taxes for the Company and certain of its subsidiaries in the accompanying condensed consolidated financial statements.

Certain consolidated subsidiaries of the Company are subject to District of Columbia franchise tax. These consolidated subsidiaries file separate tax returns and are subject to federal and state income taxes. Income taxes are accounted for using the asset and liability method of accounting. These taxes are recorded as general and administrative expenses in the accompanying condensed consolidated financial statements.

(k) INVESTMENTS IN UNCONSOLIDATED PARTNERSHIPS

The Company uses the equity method of accounting for its investments in and earnings (losses) of unconsolidated partnerships.

(l) PER SHARE DATA

The computation of earnings per share in each year is based on the weighted average number of common shares outstanding. When dilutive, stock options are included as share equivalents using the treasury stock method. The number of shares used in computing earnings per share was 13,574,715 and 13,269,334 for the three months ended March 31, 1996 and 1995, respectively.

(m) CASH EQUIVALENTS

For the purposes of reporting cash flows, the Company considers all highly liquid investments with a maturity of three months or less at the time of purchase to be cash equivalents.

(n) USE OF ESTIMATES

Management of the Company has made a number of estimates and assumptions relating to the reporting of assets and liabilities and the disclosure of contingent assets and liabilities to prepare these financial statements in conformity with generally accepted accounting principles. Actual results could differ from those estimates.

9



CARRAMERICA REALTY CORPORATION AND SUBSIDIARIES  
Notes to Condensed Consolidated Financial Statements - (Continued)  
(Unaudited)

## (2) MORTGAGES AND NOTES PAYABLE

Mortgages and notes payable generally require monthly principal and/or interest payments. Following is a summary of the Company's mortgages and notes payable as of March 31, 1996 and December 31, 1995 (in thousands):

<TABLE>  
<CAPTION>

	MARCH 31, 1996	December 31, 1995
	-----	-----
<S>	<C>	<C>
Mortgages payable to The Northwestern Mutual Life Insurance Company (NML); bearing interest at rates ranging from 7.55 percent to 8.80 percent; interest only is payable monthly through February 1, 1998; thereafter, principal and interest payments are due monthly based on a 25-year amortization schedule through maturity in February, 2003.	\$ 183,500	183,500
Mortgage payable to NML; bearing interest at 8.9 percent monthly; principal and interest payments of \$346 thousand through maturity in June 2002; additional annual principal curtailments of \$500 thousand are due through 2000, \$2 million in 2001 and \$1 million in 2002.	39,100	39,377
Mortgages payable to the Aid Association for Lutherans (AAL) under two notes; \$16.5 million note bearing interest at 9.5 percent requires monthly principal and interest payments of \$144 thousand through maturity on July 1, 2017; callable after June 30, 2002 by AAL; \$21.6 million note bearing interest at 8.25 percent requires monthly principal and interest payments of \$138 thousand through maturity on July 15, 2019; callable by AAL after July 1, 2004.	32,934	33,050
Mortgage payable to NationsBank, N.A.; \$35 million interest only note bearing interest at 1.75 percent above the London Interbank Offered Rate (LIBOR) until August 31, 1996; repaid in full on April 30, 1996.	35,000	35,000
Mortgage payable to NationsBank, N.A. bearing interest at 2.00 percent above LIBOR through maturity in June, 1996; repaid in full on April 30, 1996.	20,000	20,000
Mortgage payable to NationsBank, N.A.; \$20 million revolving line of credit bearing interest at 2.00 percent above LIBOR through maturity in July, 1997; interest only is payable monthly through maturity in July, 1997; repaid in full on April 30, 1996.	8,000	--

</TABLE>

CARRAMERICA REALTY CORPORATION AND SUBSIDIARIES  
Notes to Condensed Consolidated Financial Statements - (Continued)  
(Unaudited)

<TABLE>  
<CAPTION>

	MARCH 31, 1996	December 31, 1995
	-----	-----
<S>	<C>	<C>
Note payable to Morgan Guaranty Trust Company of New York ("Morgan"); \$200.0 million credit facility bearing interest, as selected by the Company at either, (i) the higher of the prime interest rate or the sum of .5% plus the Federal Funds Rate for such day or (ii) an interest rate equal to .5% above LIBOR; repaid in full on April 30, 1996.	172,000	--
Mortgage payable to The Riggs National Bank of Washington, D.C.; bearing interest at 7.5 percent; principal and interest payments of \$49 thousand are due monthly through maturity in February, 1999.	6,423	6,447
	-----	-----
	\$496,957	317,374
	=====	=====

</TABLE>

As of March 31, 1996, the scheduled maturities of mortgages payable for years ended December 31 are as follows (in thousands):

<S>	<C>
1996	\$ 193,553
1997	10,537
1998	4,630
1999	44,364
2000	5,067
Thereafter	238,806
	-----
	\$ 496,957
	=====

</TABLE>

Restricted cash and cash equivalents primarily consist of escrow deposits required by lenders to be used for future building renovations, tenant improvements, or as collateral for letters of credit.

(3) MINORITY INTEREST

In conjunction with the formation of the Company and its majority-owned subsidiary, Carr Realty, L.P., persons contributing interests in properties to Carr Realty, L.P. had the right to elect to receive either Common Stock of the Company or Class A Units in Carr Realty, L.P. In addition, the Company acquired certain assets during 1994 and 1995 by issuing Class A Units and Class B Units. The Class B Units are not entitled to any distributions until they automatically convert into Class A Units on December 21, 1996. Each Class A Unit may be redeemed for either one share of Common Stock or, at the option of the Company, cash equal to the fair market value of a share of Common Stock at the time of the redemption. When a Class A Unitholder redeems a Class A Unit for a share of Common Stock or cash, minority interest is reduced and the Company's investment in Carr Realty, L.P. is increased. During the three month period ended March 31, 1996, 138,315 Class A Units were redeemed for Common Stock of the Company.

CARRAMERICA REALTY CORPORATION AND SUBSIDIARIES  
Notes to Condensed Consolidated Financial Statements - (Continued)  
(Unaudited)

At March 31, 1996 and 1995, the following Class A and Class B Units were outstanding for Carr Realty, L.P.:

<S>	March 31, 1996	March 31, 1995
	-----	-----
<CAPTION>	<C>	<C>

Class A Units	17,529,701	17,488,792
Class B Units	667,745	667,745
	-----	-----
	18,197,446	18,156,537
	=====	=====

</TABLE>

Minority interest in the accompanying condensed consolidated financial statements relates primarily to holders of Class A and Class B Units.

(4) INVESTMENTS IN UNCONSOLIDATED PARTNERSHIPS

Through various unconsolidated partnerships, the Company owns interests in office properties. Following is a summary of these investments as of March 31, 1996 and December 31, 1995 and the Company's equity in their earnings (losses) for the three month periods ended March 31, 1996 and 1995 (in thousands):

AT MARCH 31, 1996 AND DECEMBER 31, 1995

<TABLE>  
<CAPTION>

Property	Ownership Percentage	Investment Balance at March 31, 1996	Investment Balance at December 31, 1995
<S>	<C>	<C>	<C>
Booz-Allen & Hamilton Bldg.	50%	\$ 4,137	4,017
1717 Pennsylvania Avenue	50%	11,328	10,759
AARP Headquarters	24%	(4,061)	(4,031)
Bond Building	15%	--	--
Willard Office/Hotel	5%	--	--
1776 Eye Street, N.W.	5%	--	--
1575 Eye Street, N.W.	2%	--	--
		\$ 11,404	10,745
		=====	=====

</TABLE>

FOR THE THREE MONTHS ENDED MARCH 31

<TABLE>  
<CAPTION>

Property	Ownership Percentage	Equity in Earnings (Losses) in 1996	Equity in Earnings (Losses) in 1995
<S>	<C>	<C>	<C>
Booz-Allen & Hamilton Bldg.	50%	\$ 120	--
1717 Pennsylvania Avenue	50%	--	--
AARP Headquarters	24%	(29)	(48)
Bond Building	15%	--	--
Willard Office/Hotel	5%	--	--
1776 Eye Street, N.W.	5%	7	7
1575 Eye Street, N.W.	2%	--	--
		\$ 98	(41)
		=====	=====

</TABLE>

(5) LEASE AGREEMENTS

The Company receives minimum rentals under noncancelable tenant leases. Certain leases provide for additional rentals based on increases in the Consumer Price Index (CPI) and increases in operating expenses. These increases are generally payable in equal installments throughout the year, based on estimated increases, with any

differences being adjusted in the succeeding year.

(6) SUBSEQUENT EVENTS

On April 30, 1996, the Company sold 11,627,907 shares of Common Stock to a wholly-owned subsidiary of Security Capital U. S. Realty ("US Realty") for approximately \$250.0 million. The proceeds were principally used to repay \$172.0 million outstanding on the Morgan credit facility and \$63.0 million outstanding under three loans from NationsBank.

13

14

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

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ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND  
RESULTS OF OPERATIONS

The following discussion is based primarily on the Condensed Consolidated Financial Statements of CarrAmerica Realty Corporation and subsidiaries (the Company) as of March 31, 1996 and December 31, 1995, and for the three months ended March 31, 1996 and 1995. This information should be read in conjunction with the accompanying condensed consolidated financial statements and notes thereto. These financial statements include all adjustments which are, in the opinion of management, necessary to reflect a fair statement of the results for the interim periods presented, and all such adjustments are of a normal recurring nature.

RESULTS OF OPERATIONS - THREE MONTHS ENDED MARCH 31, 1996 AND 1995

Real Estate Operating Revenue

Total real estate operating revenue increased \$3.8 million, or 15.7%, to \$28.1 million for the three months ended March 31, 1996 as compared to \$24.3 million for the three months ended March 31, 1995. The increase in revenue was primarily attributable to a \$3.6 million and a \$.2 million increase in rental revenue and real estate service revenue, respectively. The Company experienced net growth in its rental revenue as a result of its acquisitions since the first quarter of 1995 which contributed approximately \$3.6 million of additional rental revenue in the three month period ended March 31, 1996. Rental revenue contributed by properties that were fully operating throughout both periods remained constant at approximately \$21.8 million. Real estate service revenues from the Company's core service contracts increased by \$.2 million, or 9.9%, for the three months ended March 31, 1996 to \$2.7 million as compared to \$2.5 million for the three months ended March 31, 1995. The increase was primarily as a result of an increase in leasing commissions earned in the first quarter of 1996.

Real Estate Operating Expenses

Total real estate operating expenses increased \$4.0 million for the three months ended March 31, 1996, or 20.2%, to \$23.8 million as compared to \$19.8 million for the three months ended March 31, 1995. The net increase in operating expenses was attributable to a \$1.5 million increase in property operating expenses, a \$1.3 million increase in interest expense, a \$.1 million increase in general and administrative expenses, and a \$1.1 million increase in depreciation and amortization. The increase in property operating expenses was primarily attributable to \$1.2 million in operating expenses associated with property acquisitions since the first quarter of 1995. Exclusive of operating expenses attributable to new property acquisitions, property operating expenses increased \$.3 million, or 3.7%, for the three months ended March 31, 1996 predominately as a result of higher real estate tax assessments. The increase in the Company's interest expense is primarily related to borrowings for acquisitions. The increase in general and administrative expenses is predominately a result of the addition of new staff to implement the Company's new business strategy and inflation. The increase in depreciation and amortization is predominately a result of additional depreciation and amortization on the Company's real estate acquisitions.

Other Operating Income (Expense)

Other operating income increased \$.2 million for the three months ended March 31, 1996, to \$.4 million as compared to \$.2 million for the three months ended March 31, 1995 primarily due to the addition of equity in earnings

of CC-JM II Associates. The Company is a 50% venturer in this entity which constructed the Booz-Allen & Hamilton Building which was placed in service in January 1996.

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

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Net Income

Net income of \$3.3 million was earned for the three months ended March 31, 1996 as compared to \$3.3 million during the three month period ended March 31, 1995. The comparability of net income between the two periods is impacted by the acquisitions the Company made and the other changes described above.

Cash Flows

Net cash provided by operating activities increased \$1.0 million, or 12.9%, to \$9.0 million for the three months ended March 31, 1996 as compared to \$8.0 million for the three months ended March 31, 1995, primarily as a result of the acquisitions made by the Company. Net cash used by investing activities increased \$155.2 million, to \$169.5 million for the three months ended March 31, 1995 as compared to \$14.3 million for the three months ended March 31, 1995, primarily as a result of capital deployed by the Company for acquisitions of office properties. Net cash provided by financing activities increased \$172.9 million to \$171.5 million provided for the three months ended March 31, 1996 as compared to \$1.4 million used for the three months ended March 31, 1996, primarily as a result of the net borrowings necessary for the Company's acquisitions.

ACQUISITION AND DEVELOPMENT ACTIVITIES

On April 22, 1996 the Company achieved substantial completion of the 1717 Pennsylvania Avenue property, which was redeveloped, which contains approximately 180,000 square feet and is located in the central business district of Washington, D.C.

During the quarter ended March 31, 1996, the Company acquired \$168.2 million of office properties. The Company acquired eight office properties in Orange County, California totaling 287,000 square feet, six office properties in San Francisco's East Bay totaling 1,082,000 square feet, and three office properties in Northern Virginia totaling 261,000.

LIQUIDITY AND CAPITAL RESOURCES

The Company's total indebtedness at March 31, 1996 was \$497.0 million, of which \$235.0 million, or 47.3%, bears a LIBOR-based floating interest rate. The Company's fixed rate indebtedness bears a weighted average interest rate of 8.4% and has a weighted average term to maturity of 6.7 years. In addition to the indebtedness outstanding, the Company can borrow up to an additional \$40.0 million under certain credit facilities that bear LIBOR-based floating interest rates. Based upon the Company's total market capitalization at March 31, 1996 of \$933.7 million (the stock price was \$24.00 per share and the total shares/Units outstanding were 18,197,446), the Company's debt represented 53.2% of its total market capitalization. The Company repaid all of its floating rate debt (\$235 million) on April 30, 1996 with a portion of the proceeds from the sale of Common Stock to US Realty.

On March 6, 1996, the Company obtained a \$200 million credit facility from Morgan, secured by the commitment of US Realty \$250 million in the Company. The Company used the credit facility to finance the acquisitions of office properties and subsequently repaid the outstanding balance on the facility on April 30, 1996. The Company is also negotiating with Morgan to obtain a \$215 million unsecured line of credit which the Company expects to close in May 1996. The Company intends to use the line of credit to finance acquisitions and development activities.

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION

The Company has recently renovated six of the operating properties and does not have any significant renovation plans for its existing operating properties during 1996. Exclusive of tenant related capital expenditures, the Company anticipates property-related capital expenditures on operating properties owned as of December 31, 1995, of approximately \$2.6 million, or \$0.79 per square foot, in 1996. The Company does, however, have one development project nearing completion. The Company anticipates funding the capital requirements of this project through working capital or its line of credit.

Net cash flow provided by operating activities was \$9.0 million for the three months ended March 31, 1996, compared to \$8.0 million for the three months ended March 31, 1995. The increase in net cash flow provided by operating activities was primarily as a result of acquisitions made by the Company.

The Company's investing activities used approximately \$169.5 million and \$14.3 million for the three months ended March 31, 1996 and 1995, respectively. The Company's investment activities included the acquisitions of office buildings for approximately \$168.2 million for the three months ended March 31, 1996, as compared to no acquisition activity in the first quarter of 1995. Additionally, the Company invested approximately \$1.0 million and \$2.8 million in its existing real estate assets, for the three months ended March 31, 1996 and 1995 respectively.

Net of distributions to the Company's shareholders, the Company's financing activities provided net cash of \$177.4 million and \$4.4 million for the three months ended March 31, 1996 and 1995, respectively. For the three months ended March 31, 1996, the Company borrowed approximately \$180.0 million to provide adequate capital for the Company's investing activities, as compared to approximately \$6.7 million for the three months ended March 31, 1995.

Rental revenue and real estate service revenue have been the principal sources of capital to fund the Company's operating expenses, debt service and capital expenditures, excluding non-recurring capital expenditures. The Company believes that rental revenue and real estate service revenue will continue to provide the necessary funds for its operating expenses and debt service. The Company expects to fund capital expenditures, including tenant concession packages and building renovations, from (i) available funds from operations (ii) existing capital reserves, and (iii) if necessary, credit facilities established with third party lenders. If these sources of funds are insufficient, the Company's ability to make expected distributions may be adversely impacted. At March 31, 1996, the Company had cash of \$22.3 million, of which \$2.1 million was restricted.

The Company's dividends are paid quarterly. Amounts accumulated for distribution are predominately invested by the Company in short-term investments that are collateralized by securities of the United States Government or any of its agencies.

Management believes that the Company will have access to the capital resources necessary to expand and develop its business. Accordingly, the Company may seek to obtain funds through additional equity offerings or debt financing in a manner consistent with its intention to operate with a conservative borrowing policy. The Company anticipates that adequate cash will be available to fund its operating and administrative expenses, continuing debt service obligations, the payment of dividends in accordance with REIT requirements in both the short-term and long-term, and the funding of future acquisitions of rental properties.

The Company believes that funds from operations is an appropriate measure of the performance of an equity REIT because industry analysts have accepted it as a performance measure of equity REITs. In accordance with the final NAREIT White Paper on Funds From Operations as approved by the Board of Governors of NAREIT on March 3, 1995, funds from operations represents net income (loss) (computed in accordance with generally accepted accounting principles), excluding gains (losses) from debt restructuring or sales of property, plus

depreciation and amortization of assets uniquely significant to the real estate industry and after adjustments for unconsolidated partnerships and joint ventures. Adjustments for unconsolidated partnerships and joint ventures will be calculated to reflect funds from operations on the same basis. The Company's funds from operations for the three month period ended March 31, 1995 has been restated to conform to the new NAREIT definition of funds from operations. Funds from operations does not represent net income or cash flows generated from operating activities in accordance with generally accepted accounting principles and should not be considered an alternative to net income as an indication of the Company's performance or to cash flows as a measure of liquidity or the Company's ability to make distributions.

The following table provides the calculation of the Company's funds from operations for the three month periods ended March 31, 1996 and 1995 (in thousands):

<TABLE>  
<CAPTION>

	Three months ended March 31,	
	1996	1995
<S>	<C>	<C>
Net income before minority interest	\$ 4,725	4,748
Adjustments to derive funds from operations:		
Add: Depreciation and amortization	5,171	4,116
Deduct: Minority interests' (non Unitholders) share of depreciation, amortization and net income:	(395)	(482)
Funds from operations before allocation to the minority Unitholders of Carr Realty, L.P.	9,501	8,382
Less: Funds from operations allocable to the minority Unitholders of Carr Realty, L.P. (see note)	(2,164)	(2,022)
Funds from operations allocable to CarrAmerica Realty Corporation	\$ 7,337	6,360

</TABLE>

NOTE: Carr Realty, L.P.'s funds from operations for the quarters ended March 31, 1996, and 1995 were \$9,496 and \$8,382, respectively. CarrAmerica Realty Corporation's allocation of Carr Realty, L.P.'s funds from operations was 77.21% and 75.87% for the quarters ended March 31, 1996 and 1995, respectively. The following table sets forth the common shares of the Company and Class A and B Units of Carr Realty, L.P. outstanding at March 31, 1996 and 1995, and the weighted average common shares and Class A and B Units outstanding for the three month periods then ended:

<TABLE>  
<CAPTION>

	Carr Realty Corporation's Common Shares Outstanding	Carr Realty, L.P.'s Class A Units Outstanding	Carr Realty, L.P.'s Class B Units Outstanding
<S>	<C>	<C>	<C>
As of March 31:			
1996	13,547,492	17,529,701	667,745
1995	13,309,894	17,488,792	667,745
Weighted average for the three months ended March 31:			
1996	13,523,628	17,515,765	667,745
1995	13,269,334	17,488,792	667,745

</TABLE>

The Class B Units are not entitled to any distributions from Carr Realty, L.P. until they are automatically converted into Class A Units on December 21, 1996. For purposes of determining CarrAmerica Realty Corporation's share of Carr Realty, L.P.'s funds from operations, the minority Class B Units have been excluded from the calculation.

Changes in funds from operations are largely attributable to changes in net income between the periods as previously discussed.

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

## BUILDING AND LEASE INFORMATION

The following table sets forth certain lease related information about each operating property as of March 31, 1996:

Property	Company's Effective Property Ownership	Net Rentable Area (Square Feet) (1)	Percent Leased (2)	Total Annualized Base Rent (3) (In thousands)	Average Base Rent Per Leased Square Foot (4)
<S>	<C>	<C>	<C>	<C>	<C>
<b>CONSOLIDATED PROPERTIES</b>					
Washington, D.C.:					
International Square					
1850 K Street	100.0%	375,897	86.6%	\$ 10,779	\$ 33.11
1825 Eye Street	100.0	374,321	96.5	12,001	33.23
1875 Eye Street	100.0	267,328	84.1	7,299	32.47
1730 Pennsylvania Avenue	100.0	229,429	96.4	8,336	37.68
2550 M Street	100.0	187,931	100.0	5,754	30.62
1775 Pennsylvania Avenue	100.0	143,981	99.1	3,143	22.03
900 19th Street	100.0	101,186	84.2	2,981	34.99
1747 Pennsylvania Avenue	89.7	151,912	95.8	4,414	30.35
1255 23rd Street	75.0	304,433	96.7	8,391	28.49
2445 M Street	74.0	266,902	90.9	8,979	37.03
Maryland:					
One Rock Spring Plaza	100.0	205,298	97.2	4,496	22.53
Virginia:					
Tycon Courthouse	100.0	414,817	96.0	7,599	19.08
Three Ballston Plaza	100.0	302,797	98.0	6,792	22.89
Reston Quadrangle (3 Buildings)	100.0	261,175	99.8	5,795	22.23
Orange County, California:					
Scenic Business Park (4 Buildings)	100.0	137,436	89.7	1,328	10.76
Harbor Corporate Park(4 Buildings)	100.0	149,382	49.2	935	12.73
San Francisco East Bay:					
A T & T Center (6 Buildings)	100.0	1,082,032	100.0	16,181	14.95
Total Consolidated Properties:		4,956,257		\$ 115,203	
Weighted Average			94.1		\$ 24.70
<b>UNCONSOLIDATED PROPERTIES:</b>					
Washington, DC:					
AARP Headquarters	24.0	477,187	99.1	16,543	34.98
Bond Building	15.0	162,097	100.0	4,714	29.08
1776 Eye Street	5.0	212,732	97.2	7,235	34.98
Willard Office/Hotel	5.0	242,787	99.6	9,304	38.46
1575 Eye Street	2.0	205,441	92.5	4,420	23.26
Virginia:					
Booz-Allen & Hamilton Building	50.0	222,989	100.0	3,211	14.40
Total Unconsolidated Properties:		1,523,233		\$ 45,427	
Weighted Average			98.3		\$ 30.31
<b>ALL OPERATING PROPERTIES</b>					
Total:		6,479,490		\$ 160,630	
Weighted Average			95.1		\$ 26.02



</TABLE>

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- (1) Includes office and retail space but excludes storage space.
- (2) Includes space for leases that have been executed and have commenced as of March 31, 1996.
- (3) Total annualized base rent is based on executed and commenced leases as of March 31, 1996. Total annualized base rent equals total original base rent, including historical contractual increases and excluding (i) percentage rents, (ii) additional rent payable by tenants such as common area maintenance, real estate taxes and other expense reimbursements, (iii) future contractual or contingent rent escalations, and (iv) parking rents.
- (4) Calculated as total annualized base rent divided by net rentable area leased as of March 31, 1996.

18

19

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

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The following table sets forth a schedule of lease expirations for executed leases as of March 31, 1996, for each of the 10 years beginning with 1996, for the 30 operating properties consolidated for financial statement purposes, assuming that no tenants exercise renewal options:

<TABLE>

<CAPTION>

Year of Lease Expiration	Net Rentable Area Subject to Expiring Leases (Square Feet)*	Percent of Total Leased Square Footage Represented by Expiring Leases
<S>	<C>	<C>
1996	231,360	5.0%
1997	315,281	6.8
1998	1,426,420	30.6
1999	591,876	12.7
2000	260,711	5.6
2001	189,424	4.0
2002	510,751	10.9
2003	201,628	4.3
2004	206,558	4.4
2005	292,682	6.3
2006 and thereafter	438,342	9.4
	=====	=====

</TABLE>

\* Excludes 291,224 square feet of space vacant and uncommitted of March 31, 1996.

The following table sets forth certain lease-related information for the consolidated operating properties regarding leases that commenced during the twelve month period from April 1, 1995 to March 31, 1996, excluding the leases from properties that were executed prior to the date of acquisition:

<TABLE>

<CAPTION>

Type of Lease	Total Square Feet Leased	Calculated on a Weighted Average Basis			
		Tenant Improvements & Cash Allowances per Square Foot	Base Rent per Square Foot	Lease Life in Years	Abatements in Months
<S>	<C>	<C>	<C>	<C>	<C>
Office	165,109	\$ 17.10	\$ 27.76	7.1	1.5
Retail	13,602	6.48	25.63	4.6	2.6
Total	178,711	16.29	27.60	6.9	1.6
	=====	=====	=====	=====	=====

New leases or expansion space	117,340	21.29	26.08	6.8	2.1
Renewals of existing tenants' space	61,371	6.80	30.48	7.0	0.5
	-----				
Total	178,711	16.29	27.60	6.9	1.6
	=====	=====	=====	=====	=====

</TABLE>

PART II

OTHER INFORMATION

Item 1. Legal Proceedings

None

Item 2. Changes in Securities

None

Item 3. Defaults Upon Senior Securities

None

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

At the Special Meeting of Stockholders on February 26, 1996 the stockholders approved the following proposals:

- 1) The proposal to approve the US Realty transaction was approved. (9,702,569 votes for and 130,287 votes against or withheld.)
- 2) The proposal to amend Article V of the Articles of Incorporation to amend the limitations on ownership of capital stock to permit US Realty to acquire the shares as contemplated by the US Realty transaction and to make certain other modifications to facilitate the Company's continued qualifications as a REIT was approved. (9,707,472 votes for and 125,384 votes against or withheld.)
- 3) The proposal to change the Company's name to "CarrAmerica Realty Corporation" was approved. (12,135,204 votes for and 109,004 votes against or withheld.)
- 4) The proposal to increase the number of shares of capital stock that the Company has the authority to issue was approved. (8,981,516 votes for and 851,340 votes against or withheld.)
- 5) The proposal to authorize adjournment of the Special Meeting of Stockholders was approved. (10,720,636 votes for and 1,523,572 votes against or withheld.)

Item 5. Other Information

On April 26, 1996, the Board of Directors of the Company adopted an amendment to the Company's Amendment and Restatement of By-laws that increased the size of the Board of Directors to twelve members. On April 30, 1996, in connection with the US Realty transaction, the By-laws were amended to change the Company's name to CarrAmerica Realty Corporation, as adopted by the Board of Directors of the Company on November 3, 1995. A copy of these amendments are attached as Exhibit 3.2 to this Quarterly Report on Form 10-Q.

On April 29, 1996 and April 30, 1996, the Company filed with the Maryland State Department of Assessments and Taxation amendments to its Amendment and Restatement of Articles of Incorporation to (i) amend the limitations on ownership of capital stock contained in Article V thereof to permit US Realty to acquire the shares contemplated by the US Realty transaction and to make certain other modifications to facilitate the Company's continued qualification as a REIT and to increase the number of shares of capital stock that the Company has the authority to issue, and (ii) to change the Company's name to CarrAmerica Realty Corporation. A copy of these

Item 6. Exhibits and Reports on Form 8-K

a. Exhibits

3.1 Amendment and Restatement of Articles of Incorporation of the Company, as amended on April 28, 1996 and April 30, 1996.

3.2 Amendment and Restatement of By-laws of the Company, as amended February 26, 1993, April 28, 1995, June 29, 1995, July 28, 1995, January 26, 1996, April 26, 1996, and April 30, 1996.

3.3 Third Amended and Restated Agreement of Limited Partnership of Carr Realty, L.P., dated as of March 5, 1996.

27 Summary Financial Information

b. Reports on Form 8-K

Form 8-K dated December 27, 1995 and filed on January 11, 1996, regarding the purchase of Tycon Courthouse for \$45.75 million.

Form 8-K dated March 29, 1996 and filed on April 10, 1996, regarding the purchase of AT&T Center located in Pleasanton, California.

Form 8-K/A filed on May 14, 1996, regarding the purchase of AT&T Center located in Pleasanton, California.

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

CARRAMERICA REALTY CORPORATION

/s/ Thomas A. Carr

-----  
Thomas A. Carr, President and  
Chief Operating Officer

/s/ Brian K. Fields

-----  
Brian K. Fields, Chief Financial Officer

EXHIBIT INDEX

<TABLE>	<CAPTION>	Description	Page
Exhibit	-----	-----	----
<S>		<C>	<C>
3.1		Amendment and Restatement of Articles of Incorporation of the Company, as amended on April 29, 1996 and April 30, 1996.	
3.2		Amendment and Restatement of By-laws of the Company, as amended on February 23, 1993, April 28, 1995, June 29, 1995, July 28, 1995, January 26, 1996, April 26, 1996, and April 30, 1996.	
3.3		Third Amended and Restated Agreement of Limited Partnership of Carr Realty, L.P., dated as of March 5, 1996.	
27		Summary Financial Information	

EXHIBIT 3.1

Amendment and Restatement  
of Articles of Incorporation of the Company,  
as amended on April 29, 1996 and April 30, 1996.

ARTICLES OF AMENDMENT AND RESTATEMENT

OF

ARTICLES OF INCORPORATION

OF

CARR REALTY CORPORATION

Carr Realty Corporation, a Maryland Corporation having its principal office in Maryland in Baltimore, Maryland, and having The Corporation Trust, Incorporated as its resident agent located at 23 South Street, Baltimore, Maryland, hereby certifies to the State Department of Assessment and Taxation of Maryland, that:

FIRST: The Articles of Incorporation of the Corporation, filed with the Secretary of State on July 9, 1992, and amended and restated on October 16, 1992, are hereby amended and restated in full as follows:

ARTICLE I.

NAME

The name of the corporation (the "Corporation") is: Carr Realty Corporation.

ARTICLE II.

PRINCIPAL OFFICE, REGISTERED OFFICE,  
AND AGENT

The address of the Corporation's principal office is 1700 Pennsylvania Avenue, Washington, D.C. 20006. The address of the Corporation's principal office and registered office in the State of Maryland is 32 South Street, Baltimore, Maryland 21202. The name of its registered agent at that office is The Corporation Trust, Incorporated.

3

ARTICLE III.

PURPOSES

The purpose of the Corporation is to engage in any lawful act or activity for which corporations may be organized under the General Corporation Law of Maryland as now or hereafter in force.

ARTICLE IV.

CAPITAL STOCK

Section 4.1. Shares and par value. The total number of shares of all classes of stock that the Corporation shall have authority to issue is 35,000,000, consisting of 30,000,000 shares of Common Stock having a par value of one cent (\$.01) per share, amounting in the aggregate to par value of \$300,000, and 5,000,000 shares of Preferred Stock having a par value of one cent (\$.01) per share, amounting in the aggregate to par value of \$50,000.

Section 4.2. Voting Rights. Except as otherwise provided in these Articles of Incorporation or required by applicable law, each holder of shares of Common Stock shall be entitled to notice of, and the right to vote at, any meeting of the stockholders. Each holder of shares of Common Stock shall be entitled to one vote for each share of Common Stock held by such holder.

Section 4.3. Dividends.

(a) Each holder of shares of Common Stock shall be entitled to receive, out of the assets of the Corporation which are legally available therefor, such dividends as from time to time may be declared by the Board of Directors of the Corporation. All such holders shall share ratably, in accordance with the number of shares of Common Stock held by each such holder, in all dividends paid on the Common Stock.

(b) The Board of Directors of the Corporation may declare dividends only to the extent permitted under the General Corporation Law of Maryland.

(c) All dividends by the Corporation will be at

the sole discretion of the Board of Directors and will depend on the cash flow of the Corporation, its financial condition, capital requirements, the annual distribution requirements under the REIT provisions of the Code as defined in Section 5.1 of these Articles of Incorporation and such other factors as the Board of Directors deems relevant.

4

Section 4.4. Preferred Stock. The Preferred Stock may be issued from time to time in one or more series and the Board of Directors may, by resolution providing for the issuance of such Preferred Stock, designate with respect to such shares: (a) their voting powers; (b) their rights of redemption; (c) their right to receive dividends (which may be cumulative or noncumulative) including the dividend rate or rates, conditions to payment, and the relative preferences in relation to the dividends payable on any other class or classes or series of stock; (d) their rights upon the dissolution of, or upon any distribution of the assets of, the Corporation; (e) their rights to convert into, or exchange for, shares of any other class or classes of stock of the Corporation, including the price or prices or the rates of exchange; (f) restrictions on transfer to preserve REIT status; and (g) other relative, participating, optional or special rights, qualifications, limitations or restrictions; provided, however, that no such issuance or designation shall result in any holder of shares of Common Stock being in violation of the Ownership Limit or Existing Holder Limit, as applicable.

Section 4.5. Dissolution, Liquidation or Winding Up. In the event of any dissolution, liquidation or winding up of the affairs of the Corporation, after payment or provision for payment of the debts and other liabilities of the Corporation, the holders of shares of Common Stock shall share ratably, in accordance with the number of shares of Common Stock held by each such holder, in the remaining net assets of the Corporation.

Section 4.6. Preemptive Rights. No holder of shares of capital stock of the Corporation shall, as such holder, have any preemptive or other right to purchase or subscribe for any shares of Common Stock or any class of capital stock of the Corporation which the Corporation may issue or sell.

Section 4.7. Control Shares. Pursuant to Section 3-702(b) of the General Corporation Law of Maryland, the terms of Subtitle 7 of Title 3 of such law (the "Control Share Statute") shall be inapplicable to any acquisition of a Control Share that is not prohibited by the terms of Article V of these Articles of Incorporation.

Section 4.8. Business Combinations. Pursuant to Section 3-603(e) (1) (iii) of the General Corporation Law of Maryland, the terms of

ARTICLE V.

REIT PROVISIONS

Section 5.1. Definitions. The following terms shall have the following meanings:

(a) "Acquire" shall mean the acquisition of Beneficial Ownership of shares of Common Stock by any means including, without limitation, acquisition pursuant to the exercise of Acquisition Rights or any other option, warrant, pledge or other security interest or similar right to acquire shares, but shall not include the acquisition of any such rights unless, as a result, the acquiror would be considered a Beneficial Owner, as defined below.

(b) "Acquisition Rights" shall mean rights to Acquire shares of Common Stock pursuant to: (i) redemption of Units Acquired upon exercise of any option issued by Carr Realty, L.P., a Delaware limited partnership, or Carr Real Estate Services, Inc., a Delaware corporation and outstanding at the opening of business on the first business day following the closing of the Initial Public Offering (whether exercisable on that date or not); (ii) any right to redeem or exchange Units held on the first business day following the closing of the Initial Public Offering or any right to redeem or exchange Units that may be Acquired pursuant to a pledge described in the following clause; or (iii) any pledge of shares of Common Stock or Units made pursuant to a pledge agreement executed on or before the opening of business on the first business day following the closing of the Initial Public Offering (or the redemption or exchange of Units subject to such a pledge).

(c) "Beneficial Ownership" shall mean ownership of Common Stock by a Person who would be treated as an owner of such shares of Common Stock either directly or indirectly under Section 542(a) (2) of the Code, taking into account, for this purpose, constructive ownership determined under Section 544 of the Code, as modified by Section 856(h) (1) (B) of the Code (except where expressly provided otherwise). The terms "Beneficial Owner," "Beneficially Owns" and "Beneficially Owned" shall have the correlative meanings.

(d) "Code" shall mean the Internal Revenue Code of 1986, as amended.

(e) "Existing Holder" shall mean any of Clark



Enterprises, Inc., The Equitable Life Assurance Society of the United States, Equitable Variable Life Insurance Company, FW REIT, L.P., the Oliver Carr Company, Oliver T. Carr, Jr., or A. James Clark (or any Person who is a Beneficial Owner of shares as a result of the Beneficial Ownership of shares by the Persons identified above) who, at the opening of business on the first business day following the closing of the

4

6

Initial Public Offering, was the Beneficial Owner of, or had an Acquisition Right such that such Person would, if such right had been exercised and such Person received shares (whether or not such right is immediately exercisable for shares), be the Beneficial Owner of, Common Stock in excess of the Ownership Limit, so long as, but only so long as, such Person Beneficially Owns Common Stock (or Acquisition Rights such that it has rights to Acquire shares) in excess of the Ownership Limit.

(f) "Existing Holder Limit" for an Existing Holder shall mean, initially, (i) the percentage of the outstanding Common Stock Beneficially Owned by such Existing Holder at the opening of business on the first business day following the closing of the Initial Public Offering plus (ii) the percentage of Common Stock such Existing Holder would Beneficially Own upon exercise of all Acquisition Rights (assuming only shares are received upon redemption of Units) plus (iii) the percentage of Common Stock such Existing Holder would Beneficially Own upon redemption of Units Acquired upon exercise of any options, or upon exercise of any options for shares of Common Stock, in either case issued pursuant to an option plan adopted or approved by the Board of Directors of the Corporation (excluding any such options that fall within the definition of Acquisition Rights), and after any adjustment pursuant to Section 5.8, shall mean such percentage of the outstanding Common Stock as so adjusted; provided however, that the Existing Holder Limit shall never exceed 29%. For purposes of determining the Existing Holder Limit, the amount of shares of Common Stock outstanding at the time of the determination shall be deemed to include the maximum number of shares that the Existing Holder may Beneficially Own with respect to Acquisition Rights and options issued pursuant to an option plan, but shall not include shares that may be Beneficially Owned solely by other Persons upon exercise of Acquisition Rights or options. From the date of the Initial Public Offering and prior to the Restriction Termination Date, the secretary of the Corporation shall maintain and, upon request, make available to each Existing Holder, a schedule which sets forth the then current Existing Holder Limits for each Existing Holder.

(g) "Initial Public Offering" means the sale of shares of Common Stock pursuant to the Corporation's first effective registration statement for such Common Stock filed under the Securities Act of

1933, as amended.

(h) "Ownership Limit" shall initially mean 5 percent of the outstanding Common Stock of the Corporation, and after any adjustment as set forth in Section 5.9, shall mean such greater percentage (but not greater than 9.8%) of the outstanding Common Stock as so adjusted.

(i) "Person" shall mean an individual, corporation, partnership, estate, trust (including a trust qualified under Section 401(a) or 501(c) (17) of the Code), a portion of a trust permanently set aside for or to be used exclusively for the purposes described in Section 642(c) of the Code, association,

5

7

private foundation within the meaning of Section 509(a) of the Code, joint stock company or other entity and also includes a group as that term is used for purposes of Section 13(d) (3) of the Securities Exchange Act of 1934, as amended; but does not include an underwriter which participates in a public offering of the Common Stock for a period of 90 days following the purchase by such underwriter of the Common Stock.

(j) "REIT" shall mean a Real Estate Investment Trust under Section 856 of the Code.

(k) "Redemption Price" shall mean the lower of (i) the price paid by the transferee from whom shares are being redeemed and (ii) the average of the last reported sales prices on the New York Stock Exchange of Common Stock on the ten trading days immediately preceding the date fixed for redemption by the Board of Directors, or if the Common Stock is not then traded on the New York Stock Exchange, the average of the last reported sales prices of the Common Stock on the ten trading days immediately preceding the relevant date as reported on any exchange or quotation system over which the Common Stock may be traded, or if the Common Stock is not then traded over any exchange or quotation system, then the price determined in good faith by the Board of Directors of the Corporation as the fair market value of shares of Common Stock on the relevant date. The Redemption Price may, at the option of the Corporation, be paid in the form of a number of Units equal to the number of shares redeemed divided by the Conversion Factor, as that term is defined in the Partnership Agreement of Carr Realty, L.P., a Delaware limited partnership, as effective on the date of the Initial Public Offering.

(l) "Restriction Termination Date" shall mean the first day after the date of the Initial Public Offering on which the Corporation determines pursuant to Section 5.13 of these Articles of Incorporation that it is no longer in the best interests of the Corporation to

attempt to, or continue to, qualify as a REIT.

(m) "Transfer" shall mean any sale, transfer, gift, assignment, devise or other disposition of Common Stock or the right to vote or receive dividends on Common Stock (including (i) the granting of any option or entering into any agreement for the sale, transfer or other disposition of Common Stock or the right to vote or receive dividends on Common Stock or (ii) the sale, transfer, assignment or other disposition or grant of any Acquisition Rights or other securities or rights convertible into or exchangeable for Common Stock, or the right to vote or receive dividends on Common Stock), whether voluntary or involuntary, whether of record or beneficially and whether by operation of law or otherwise.

(n) "Units" shall mean Partnership Units as that term is defined in the Agreement of Limited Partnership of Carr Realty, L.P., a Delaware limited partnership, as effective on the date of the Initial Public Offering.

Section 5.2. Restrictions.

(a) Except as provided in Section 5.11, during the period commencing on the date of the Initial Public Offering and prior to the Restriction Termination Date: (i) no Person (other than an Existing Holder) shall Acquire any shares of Common Stock if, as the result of such acquisition, such Person shall Beneficially Own shares of Common Stock in excess of the Ownership Limit; (ii) no Existing Holder shall Acquire any shares of Common Stock if, as the result of such acquisition, such Person shall Beneficially Own shares of Common Stock in excess of the Existing Holder Limit for such Existing Holder; (iii) no Person shall Acquire any shares of Common Stock if, as a result of such acquisition, the Common Stock would be directly or indirectly owned by less than 100 Persons (determined without reference to the rules of attribution under Section 544 of the Code); and (iv) no Person shall Acquire any shares if, as a result of such acquisition, the Corporation would be "closely held" within the meaning of Section 856(h) of the Code.

(b) Any Transfer that (i) would result in a violation of the restrictions in Section 5.2(a) (iii) or (iv), or (ii) a transferring stockholder has actual knowledge will result in a violation of any of the restrictions in Section 5.2(a) (i) or (ii) shall be void ab initio as to the Transfer of such shares of Common Stock that would cause the violation of the applicable restriction in Section 5.2(a), and the intended transferee shall acquire no rights in such shares of Common Stock.

Section 5.3. Remedies for Breach.

(a) If the Board of Directors or a committee thereof shall at any time determine in good faith that a Transfer has taken place that falls within the scope of Section 5.2(b) or that a Person intends to Acquire Beneficial Ownership of any shares of the Corporation that will result in violation of Section 5.2(a) or Section 5.2(b) (whether or not such violation is intended), the Board of Directors or a committee thereof shall take such action as it or they deem advisable to refuse to give effect to or to prevent such Transfer, including, but not limited to, refusing to give effect to such Transfer on the books of the Corporation or instituting proceedings to enjoin such Transfer.

(b) Without limitation to Section 5.2(b) and 5.3(a), any purported transferee of shares acquired in violation of Section 5.2 shall, if it shall be deemed to have received any shares, be deemed to have acted as agent on behalf of the Corporation in acquiring such of the shares as result in a violation of Section 5.2 and shall be deemed to hold such shares in trust on behalf and for the benefit of the Corporation. The transferee shall have no right to receive dividends or other distributions with respect to such shares, and shall have no right to vote such shares. Such transferee shall have no claim, cause of action, or any other recourse whatsoever against a transferor of shares acquired in violation of Section 5.2. The transferee's sole right with respect to such shares shall be to receive at the

7

9

Corporation's sole and absolute discretion, either (i) consideration for such shares upon the resale of the shares as directed by the Corporation pursuant to Section 5.3(c) or (ii) the Redemption Price pursuant to Section 5.3(c).

(c) The Board of Directors shall, within 6 months after receiving notice of a Transfer that violates Section 5.2(a), either (in its sole and absolute discretion) (i) direct the transferee of such shares to sell all shares held in trust for the Corporation pursuant to Section 5.3(b) for cash in such manner as the Board of Directors directs or (ii) redeem such shares for the Redemption Price on such date within such 6 month period as the Board of Directors may determine. If the Board of Directors directs the transferee to sell the shares, the transferee shall receive such proceeds as trustee for the Corporation and pay the Corporation out of the proceeds of such sale all expenses incurred by the Corporation in connection with such sale plus any remaining amount of such proceeds that exceeds the amount paid by the transferee for the shares, and the transferee shall be entitled to retain only any proceeds in excess of such amounts required to be paid to the Corporation.

Section 5.4. Notice of Restricted Transfer. Any Person who acquires or attempts or intends to acquire shares in violation of Section

5.2 shall immediately give written notice to the Corporation of such event and shall provide to the Corporation such other information as the Corporation may request in order to determine the effect, if any, of such Transfer or attempted or intended Transfer on the Corporation's status as a REIT.

Section 5.5. Owners Required To Provide Information.

From the date of the Initial Public Offering and prior to the Restriction Termination Date:

(a) every stockholder of record of more than 5% (or such lower percentage as required by the Code or regulations promulgated thereunder) of the outstanding Common Stock of the Corporation shall, within 30 days after December 31 of each year, give written notice to the Corporation stating the name and address of such record stockholder, the number of shares Beneficially Owned by it, and a description of how such shares are held; provided that a shareholder of record who holds outstanding Common Stock of the Corporation as nominee for another person, which other person is required to include in gross income the dividends received on such Common Stock (an "Actual Owner"), shall give written notice to the Corporation stating the name and address of such Actual Owner and the number of shares of such Actual Owner with respect to which the stockholder of record is nominee.

(b) every Actual Owner of more than 5% (or such lower percentage as required by the Code or regulations promulgated thereunder) of the outstanding Common Stock of the Corporation who is not a stockholder of record of the Corporation, shall within 30 days after December 31 of each year, give written

8

10

notice to the Corporation stating the name and address of such Actual Owner, the number of shares Beneficially Owned, and a description of how such shares are held.

(c) each person who is a Beneficial Owner of Common Stock and each Person (including the stockholder of record) who is holding Common Stock for a Beneficial Owner shall provide to the Corporation such information as the Corporation may request, in good faith, in order to determine the Corporation's status as a REIT.

Section 5.6. Remedies Not Limited. Nothing contained in this Article shall limit the authority of-the Board of Directors to take such other action as it deems necessary or advisable to protect the Corporation and the interests of its stockholders in preserving the Corporation's status as a REIT.

Section 5.7. Ambiguity. In the case of an ambiguity in the application of any of the provisions of this Article V, including any definition contained in Section 5.1, the Board of Directors shall have the power to determine the application of the provisions of this Article V with respect to any situation based on the facts known to it.

Section 5.8. Modification of Existing Holder Limits. Subject to Section 5.10(c), the Existing Holder Limit shall be reduced at any time that either (i) an Existing Holder transfers shares of Common Stock or Acquisition Rights or (ii) the Corporation issues shares of Common Stock, in either case by reducing the percentages calculated pursuant to the definition of Existing Holder Limit to the percentages in effect immediately after such Transfer or issuance. The Existing Holder Limit shall be increased at any time that the Corporation redeems or otherwise purchases shares of Common Stock by increasing the percentages calculated pursuant to the definition of Existing Holder Limit to the percentages in effect immediately after such redemption or other purchase. Each Existing Holder shall give the Board of Directors written notice of any Transfer of shares within 10 business days thereafter.

Section 5.9. Modification of Ownership Limit. Subject to the limitations provided in Section 5.10, the Board of Directors may from time to time increase the Ownership Limit.

Section 5.10. Limitations on Modification.

(a) The Ownership Limit may not be increased if, after giving effect to such increase, five Persons who are considered individuals pursuant to Section 542(a) (2) of the Code (taking into account all of the then Existing Holders

9

11

and all Acquisition Rights) could Beneficially Own, in the aggregate, more than 49.5% of the Outstanding Common Stock.

(b) Prior to the modification of the Ownership Limit pursuant to Section 5.9, the Board of Directors of the Corporation may require such opinions of counsel, affidavits, undertakings or agreements as it may deem necessary or advisable in order to determine or ensure the Corporation's status as a REIT.

(c) No Existing Holder Limit shall be reduced to a percentage which is less than the Ownership Limit.

(d) The Ownership Limit may not be increased to a percentage which is greater than 9.8 percent.

Section 5.11. Exception. The Board of Directors may, upon receipt of either a certified copy of a ruling from the Internal Revenue Service or an opinion of counsel satisfactory to the Board of Directors, but shall in no case be required to, exempt a Person (the "Exempted Holder") from the Ownership Limit or the Existing Holder Limit, as the case may be, if the ruling or opinion includes that no Person who is an individual as defined in Section 542(a) (2) of the Code will, as the result of the ownership of shares by the Exempted Holder, be considered to have Beneficial Ownership of an amount of Common Stock that will violate the Ownership Limit or the applicable Existing Holder Limit, as the case may be.

Section 5.12. Legend. Each certificate for Common Stock shall bear the following legend:

"The shares of Common Stock represented by this certificate are subject to restrictions on transfer for the purpose of the Corporation's maintenance of its status as a Real Estate Investment Trust under the Internal Revenue Code of 1986, as amended. No Person may Beneficially Own shares of Common Stock in excess of 5 percent (or such greater percentage as may be determined by the Board of Directors of the Corporation) of the outstanding Common Stock of the Corporation (unless such Person is an Existing Holder). Separate restrictions set forth in Article V of the Articles of Incorporation apply to Existing Holders. Any Person who attempts to Beneficially Own shares of Common Stock in excess of the above limitations must immediately notify the Corporation, any shares of Common Stock so held may be subject to

mandatory redemption or sale in certain events, and certain purported acquisitions of shares of Common Stock in excess of such limitations shall be void ab initio. A Person who attempts to Beneficially Own shares of Common Stock in violation of the ownership limitations set forth in Section 5.2 of the Articles of Incorporation shall have no claim, cause of action, or any other recourse whatsoever against a transferor of such shares. All capitalized terms in this legend have the meanings defined in the Corporation's Articles of Incorporation, a copy of which, including the restrictions on transfer, will



be sent without charge to each stockholder who so requests.

Section 5.13. Termination of REIT Status. The Board of Directors shall take no action to terminate the Corporation's status as a REIT or to amend the provisions of this Article V until such time as (i) the Board of Directors adopts a resolution recommending that the Corporation terminate its status as a REIT or amend this Article V, as the case may be, (ii) the Board of Directors presents the resolution at an annual or special meeting of the stockholders and (iii) such resolution is approved by holders of a majority of the issued and outstanding shares of Common Stock.

Section 5.14. Severability. If any provision of this Article or any application of any such provision is determined to be invalid by any Federal or state court having jurisdiction over the issues, the validity of the remaining provisions shall not be affected and other applications of such provision shall be affected only to the extent necessary to comply with the determination of such court.

## ARTICLE VI.

### BOARD OF DIRECTORS

Section 6.1. Management. The management of the business and the conduct of the affairs of the Corporation shall be vested in its Board of Directors.

Section 6.2. Number. The number of directors which will constitute the entire Board of Directors shall be fixed by, or in the manner provided in, the By-Laws but shall in no event be less than three.

Section 6.3. Classification. The directors shall be classified, with respect to the time for which they severally hold office, into three classes, as nearly

equal in number as possible, as shall be provided in the By-Laws of the Corporation, one class to be originally elected for a term expiring at the annual meeting of stockholders to be held in 1994, another class to be originally elected for a term expiring at the annual meeting of stockholders to be held in 1995, and another class to be originally elected for a term expiring at the annual meeting of stockholders to be held in 1996, with each class to hold office until its successors are elected and qualified. At each annual meeting of the stockholders of the Corporation, the date of which shall be fixed by or pursuant to the By-Laws of the Corporation, the successors of the



class of directors whose terms expire at that meeting shall be elected to hold office for a term expiring at the annual meeting of stockholders held in the third year following the year of their election. No election of directors need be by written ballot. No decrease in the number of directors constituting the Board of Directors shall shorten the term of any incumbent director.

Section 6.4. Vacancies. Newly created directorships resulting from any increase in the number of directors may be filled by the Board of Directors, or as otherwise provided in the By-Laws, and any vacancies on the Board of Directors resulting from death, resignation, removal or other cause shall only be filled by the affirmative vote of a majority of the remaining directors then in office, even though less than a quorum of the Board of Directors, or by a sole remaining director, or as otherwise provided in the By-Laws. Any director elected in accordance with the preceding sentence shall hold office until the next annual meeting of the Corporation, at which time a successor shall be elected to fill the remaining term of the position filled by such director.

Section 6.5. Removal. Any director may be removed from office only for cause and only by the affirmative vote of the holders of a majority of the combined voting power of the then outstanding shares entitled to vote in the election of directors. For purposes of this Section 6.5, "cause" shall mean the willful and continuous failure of a director to substantially perform such director's duties to the Corporation (other than any such failure resulting from temporary incapacity due to physical or mental illness) or the willful engaging by a director in gross misconduct materially and demonstrably injurious to the Corporation.

Section 6.6. Reasonableness of Fees. The Board of Directors will determine, from time to time but at least annually, that the total fees and expenses of the Corporation are reasonable in light of the investment experience of the Corporation, its net assets, its net income, and the fees and expenses of other comparable persons responsible for directing or performing the day to day business affairs of similar or comparable entities.

Section 6.7. By-Laws. The power to adopt, alter and/or repeal the By-Laws of the Corporation is vested exclusively in the Board of Directors.

Section 6.8. Powers. The enumeration and definition of particular powers of the Board of Directors included in the foregoing shall in no way be limited or restricted by reference to or inference from the terms of any other clause of this or any other Article of these Articles of Incorporation, or construed as or deemed by inference or otherwise in any

manner to exclude or limit the powers conferred upon the Board of Directors under the General Corporation Law of Maryland as now or hereafter in force.

ARTICLE VII.

LIABILITY

The liability of the directors and officers of the Corporation to the Corporation and its stockholders for money damages is hereby limited to the fullest extent permitted by Section 5-349 of the Courts and Judicial Proceedings Code of Maryland (or its successor) as such provisions may be amended from time to time.

ARTICLE VIII.

INDEMNIFICATION

The Corporation hereby, to the fullest extent permitted by Section 2-418 of the General Corporation Law of Maryland, as the same may be amended and supplemented, indemnifies any and all directors and officers of the Corporation from and against any and all of the expenses, liabilities or other matters referred to in or covered by said section, and the indemnification provided for herein shall not be deemed exclusive of any other rights to which those indemnified may be entitled under any By-Law, agreement, vote of stockholders or disinterested directors or otherwise, both as to action in his official capacity and as to action in another capacity while holding such office, and shall continue as to a person who has ceased to be a director or officer and shall inure to the benefit of the heirs, executors and administrators of such a person.

ARTICLE IX.

WRITTEN CONSENT OF STOCKHOLDERS

Any corporate action upon which a vote of stockholders is required or permitted may be taken without a meeting or vote of stockholders with the unanimous written consent of stockholders.

ARTICLE X.

AMENDMENT

The Corporation reserves the right to amend, alter or repeal any provision contained in these Articles of Incorporation upon (i) adoption by

the Board of Directors of a resolution recommending such amendment, alteration, or repeal, (ii) presentation by the Board of Directors of a resolution at an annual or special meeting of the stockholders and (iii) approval of such resolution by the vote of a majority of the shares cast on the resolution at a duly constituted meeting of shareholders; provided that any amendment to Article V (or to this proviso) must be adopted pursuant to the provisions of Section 5.13 of Article V. All rights conferred upon stockholders herein are subject to this reservation.

## ARTICLE XI.

### EXISTENCE

The Corporation is to have perpetual existence.

SECOND: The number of directors of the Corporation is five.

The names of the directors are:

Oliver T. Carr, Jr.  
Robert O. Carr  
Thomas A. Carr  
Thomas R. Delatour, Jr.  
David Bonderman

The board of directors of the Corporation by a unanimous consent in writing in lieu of a meeting under Section 2-408 of the Maryland General Corporation law, dated January 29, 1993, adopted a resolution which set forth the foregoing amendment to the Articles of Incorporation, declaring that the said amendment and restatement of the Articles of Incorporation was advisable and directing that it be submitted for action thereon by the stockholders by a unanimous consent in writing in lieu of a meeting under Section 2-505 of the Maryland General Corporation law.

THIRD: Notice of a meeting of stockholders to take action on the amendment and restatement of the Articles of Incorporation was waived by all stockholders of the Corporation.

FOURTH: The amendment and restatement of the Articles of Incorporation of the Corporation as hereinabove set forth was approved by the unanimous consent in writing of the stockholders on January 29, 1993.

IN WITNESS WHEREOF, Carr Realty Corporation has caused these presents to be signed in its name and on its behalf by its President and attested by its Secretary on January 29, 1993.

By: /s/ Thomas A. Carr

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Thomas A. Carr  
President

Attest: /s/ Joseph D. Wallace

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Joseph D. Wallace  
Secretary

15

17

I, Thomas A. Carr, President of CARR REALTY CORPORATION, hereby acknowledge the foregoing Articles of Amendment and Restatement of Articles of Incorporation of Carr Realty Corporation to be the act of Carr Realty Corporation, and to the best of my knowledge, information and belief, these matters and facts are true in all material respects, and my statement is made under penalties for perjury.

/s/ Thomas A. Carr

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Thomas A. Carr  
President of Carr Realty Corporation

16

18

ARTICLES OF AMENDMENT  
OF  
ARTICLES OF INCORPORATION  
OF

Carr Realty Corporation, a Maryland corporation, having its principal office in Maryland in Baltimore, Maryland (the "Corporation"), and having The Corporation Trust, Incorporated as its resident agent located at 23 South Street, Baltimore, Maryland, hereby certifies to the State Department of Assessment and Taxation of Maryland (the "Department") that:

FIRST: The charter of the Corporation is hereby amended by striking in its entirety Section 4.1 and by inserting in lieu thereof the following:

"Section 4.1 Shares and Par Value. The total number of shares of all classes of stock that the Corporation shall have authority to issue is 105,000,000, consisting of 90,000,000 shares of Common Stock having a par value of one cent (\$.01) per share, amounting in the aggregate to par value of \$900,000, and 15,000,000 shares of Preferred Stock having a par value of one cent (\$.01) per share, amounting in the aggregate to par value of \$150,000."

SECOND: The total number of shares of all classes of stock that the Corporation was heretofore authorized to issue is 35,000,000, consisting of 30,000,000 shares of Common Stock having a par value of one cent (\$.01) per share, amounting in the aggregate to par value of \$300,000, and 5,000,000 shares of Preferred Stock having a par value of one cent (\$.01) per share, amounting in the aggregate to par value of \$50,000. The shares are not divided into classes.

THIRD: The charter of the Corporation is hereby amended by striking in its entirety Article V and by inserting in lieu thereof the following:

"ARTICLE V.

REIT Provisions

Section 5.1. Definitions. The following terms shall have the following meanings:

(a) "Acquire" shall mean the acquisition of Beneficial Ownership of shares of Stock by any means including, without limitation, acquisition pursuant to the exercise of Acquisition Rights or any other option, warrant, pledge or other security interest or similar right to acquire shares, but shall not include the acquisition of any such rights unless, as a result, the acquiror would

19

be considered a Beneficial Owner (if the acquisition would have been effective), as defined below. The term "Acquisition" shall have a correlative meaning.

(b) "Acquisition Rights" shall mean rights to Acquire shares of Common Stock pursuant to: (i) redemption of Units Acquired upon

exercise of any option issued by Carr Realty, L.P., a Delaware limited partnership, or Carr Real Estate Services, Inc., a Delaware corporation and outstanding at the opening of business on the first business day following the closing of the Initial Public Offering (whether exercisable on that date or not); (ii) any right to redeem or exchange Units held on the first business day following the closing of the Initial Public Offering or any right to redeem or exchange Units that may be Acquired pursuant to a pledge described in the following clause; or (iii) any pledge of shares of Common Stock or Units made pursuant to a pledge agreement executed on or before the opening of business on the first business day following the closing of the Initial Public Offering (or the redemption or exchange of Units subject to such a pledge).

(c) "Beneficial Ownership" shall mean ownership of Stock by a Person who is or would be treated as an owner of such shares of Stock either directly or indirectly pursuant to Section 542(a)(2) of the Code, taking into account, for this purpose, constructive ownership determined under Section 544 of the Code, as modified by Section 856(h)(1)(B) of the Code. The terms "Beneficial Owner," "Beneficially Owns" and "Beneficially Owned" shall have the correlative meanings.

(d) "Charitable Beneficiary" shall mean one or more beneficiaries of the Trust as determined pursuant to Section 5.13, each of which shall be an organization described in Sections 170(b)(1)(A), 170(c)(2) and 501(c)(3) of the Code.

(e) "Code" shall mean the Internal Revenue Code of 1986, as amended from time to time.

(f) "Common Stock" shall mean (i) any shares of Stock issued by the Corporation that are Common Stock under Section 4.1 of these Articles of Incorporation, and (ii) any shares of Stock that are or were originally issued to a Special Shareholder by the Corporation pursuant to Article 2 of the Stock Purchase Agreement.

(g) "Effective Date" shall mean the date on which the Articles of Amendment to the Corporation's Articles of Incorporation adopting this amended and restated version of Article V are filed with the Department of Assessments and Taxation of the State of Maryland.

(h) "Existing Holder" shall mean any of Clark Enterprises, Inc., The Equitable Life Assurance Society of the United States, Equitable Variable Life

Insurance Company, FW REIT, L.P., the Oliver Carr Company, Oliver T. Carr, Jr., or A. James Clark (or any Person who is a Beneficial Owner of shares of Stock as a result of the actual ownership of shares of Stock by the Persons identified above) who, at the opening of business on the first business day following the closing of the Initial Public Offering, was the Beneficial Owner of, or had an Acquisition Right such that such Person would be the Beneficial Owner of, Stock in excess of the Ownership Limit if such Acquisition Right had been exercised and such Person received shares (whether or not such right is immediately exercisable for shares), so long as, but only so long as, such Person Beneficially Owns Stock (or Acquisition Rights such that it has rights to Acquire shares) in excess of the Ownership Limit.

(i) "Existing Holder Limit" for an Existing Holder who Beneficially Owns only Common Stock of the Corporation shall mean, initially, (i) the percentage of the shares of outstanding Common Stock Beneficially Owned by such Existing Holder at the opening of business on the first business day following the closing of the Initial Public Offering plus (ii) the percentage of the shares of Common Stock such Existing Holder would Beneficially Own upon exercise of all Acquisition Rights (assuming only shares are received upon redemption of Units) plus (iii) the percentage of the shares of Common Stock such Existing Holder would Beneficially Own upon redemption of Units Acquired upon exercise of any options, or upon exercise of any options for shares of Common Stock, in either case issued pursuant to an option plan adopted or approved by the Board of Directors of the Corporation (excluding any such options that fall within the definition of Acquisition Rights), and after any adjustment pursuant to Section 5.7, shall mean such percentage of the outstanding shares of Common Stock as so adjusted; provided, however, that the Existing Holder Limit shall never exceed 15%. For an Existing Holder who owns shares of any class or series of Preferred Stock, the Existing Holder Limit with respect to such class or series of Preferred Stock for such Existing Holder shall be the same percentage as the Existing Holder Limit for Common Stock for such Existing Holder. For purposes of determining the Existing Holder Limit, the amount of shares of Common Stock outstanding at the time of the determination shall be deemed to include the maximum number of shares that the Existing Holder may Beneficially Own with respect to Acquisition Rights and options issued pursuant to an option plan, but shall not include shares that may be Beneficially Owned solely by other Persons upon exercise of Acquisition Rights or options. From the date of the Initial Public Offering and prior to the Restriction Termination Date, the secretary of the Corporation shall maintain and, upon request, make available to each Existing Holder, a schedule which sets forth the then current Existing Holder Limits for each Existing Holder.

(j) "Initial Public Offering" means the sale of shares of Common Stock pursuant to the Corporation's first effective registration statement for such Common Stock filed under the Securities Act of 1933, as amended.

21

(k) "IRS" shall mean the United States Internal Revenue Service.

(l) "Market Price" shall mean, with respect to any class of Stock, the last reported sales price, regular way, on the NYSE of shares of such class of Stock on the trading day immediately preceding the relevant date, or if such class of Stock is not then traded on the NYSE, the last reported sales price, regular way, of shares of such class of Stock on the trading day immediately preceding the relevant date as reported on the principal exchange or quotation system on which such class of Stock may be traded, provided, however, that if the Board of Directors determines in good faith that a lower price is appropriate, then the Market Price shall be such lower price as determined in good faith by the Board of Directors, or if such class of Stock is not then traded over any exchange or quotation system, the Market Price shall be the price determined in good faith by the Board of Directors of the Corporation as the fair market value of shares of such class of Stock on the relevant date.

(m) "Non-U.S. Person" shall mean a Person other than a U.S. Person.

(n) "NYSE" shall mean the New York Stock Exchange.

(o) "Ownership Limit" shall initially mean (i) with respect to the Common Stock, 5% of the outstanding shares of Common Stock of the Corporation; and (ii) with respect to any class or series of Preferred Stock, 5% of the outstanding shares of such class or series of Preferred Stock of the Corporation. The Ownership Limit may be increased pursuant to Section 5.8 to such greater percentage (but not greater than 9.8%) as may be determined by the Board of Directors.

(p) "Person" shall mean an individual, corporation, partnership, estate, trust (including a trust qualified under Section 401(a) or 501(c)(17) of the Code), a portion of a trust permanently set aside for or to be used exclusively for the purposes described in Section 642(c) of the Code, association, private foundation within the meaning of Section 509(a) of the Code, joint stock company or other entity and also includes a group as that term is used for purposes of Section 13(d)(3) of the Securities Exchange Act of 1934, as amended; but does not include an underwriter which participates in a public offering of the Stock for a period of 90 days following the purchase by such underwriter of the Stock, provided that the ownership of Stock by such underwriter would not result in the Corporation being "closely held" within the meaning of Section 856(h) of the Code and would not otherwise result in the Corporation



failing to qualify as a REIT.

(q) "Preferred Stock" shall mean any shares of Stock issued by the Corporation that are Preferred Stock under Section 4.1 of these Articles of Incorporation other than shares originally issued to a Special Shareholder by the Corporation pursuant to Article 2 of the Stock Purchase Agreement.

- 4 -

22

(r) "Purported Beneficial Transferee" shall mean, with respect to any purported Transfer which would result in a violation of the limitations in Section 5.2, the purported owner for whom the Purported Record Transferee would have acquired or owned shares of Stock if such Transfer had been valid under Section 5.2.

(s) "Purported Record Transferee" shall mean with respect to any purported Transfer which would result in a violation of the limitations in Section 5.2, the record holder of the Stock if such Transfer had been valid under Section 5.2.

(t) "REIT" shall mean a Real Estate Investment Trust under Section 856 of the Code.

(u) "Restriction Termination Date" shall mean the first day after the date of the Initial Public Offering on which the Corporation determines pursuant to Section 5.15 of these Articles of Incorporation that it is no longer in the best interests of the Corporation to attempt to, or continue to, qualify as a REIT.

(v) "Special Shareholder" shall mean Security Capital U.S. Realty S.A., Security Capital Holdings S.A. and any affiliate of either such Person who shall acquire any shares of Stock either directly pursuant to the Stock Purchase Agreement or from either such Person (or another affiliate thereof) in accordance with the provisions of such Stock Purchase Agreement or the Stockholders Agreement (and any Person who is considered a Beneficial Owner of shares of Stock as a result of the actual ownership of shares of Stock by any of the Persons identified above).

(w) "Special Shareholder Limit" shall mean (i) the Special Shareholders' Percentage of the outstanding shares of Common Stock of the Corporation and (ii) the Special Shareholders' Percentage of the outstanding shares of each class or series of Preferred Stock of the Corporation; provided, however, that if, as the result of any Special Shareholder's Beneficial Ownership of Common Stock or any class or series of Preferred Stock of the Corporation, any Person who is an individual

within the meaning of Section 542(a)(2) of the Code (taking into account the ownership attribution rules under Section 544 of the Code, as modified by Section 856(h) of the Code) and who is the Beneficial Owner of any interest in a Special Shareholder would be considered to Beneficially Own more than 8.5% of the outstanding shares of Common Stock or the outstanding shares of any class or series of Preferred Stock of the Corporation, the Special Shareholder Limit shall be reduced to such percentage as would result in such Person not being considered to Beneficially Own more than 8.5% of the outstanding shares of Common Stock or the outstanding shares of any class or series of Preferred Stock of the Corporation. Notwithstanding anything contained herein to the contrary, in no

- 5 -

23

event shall the Special Shareholder Limit be reduced below the Ownership Limit.

(x) "Special Shareholders' Percentage" shall mean, through and including the Stock Purchase Agreement Performance Date, 48%. At the close of business on the Stock Purchase Agreement Performance Date, on the 25% Termination Date, and on the last day of each calendar year ending after the 25% Termination Date, the Special Shareholders' Percentage shall be decreased to equal the lesser of (i) the Special Shareholders' Percentage as in effect prior to such adjustment (but taking into account all prior reductions pursuant to hereto), and (ii) a fraction determined as set forth in the next two sentences below plus three percentage points (except in the case of the adjustment made on the Stock Purchase Agreement Performance Date). The numerator of such fraction shall be equal to the lesser of (x) the number of shares of Common Stock Beneficially Owned by the Special Shareholders at the close of business on the date on which such adjustment is to be made, or (y) in the case of adjustments to be made on the last day of a calendar year, the average number of shares of Common Stock Beneficially Owned by all of the Special Shareholders at the close of business on the twenty (20) business days prior to and including such last day. The denominator of such fraction shall be equal to the actual number of shares of Common Stock outstanding on the date of such determination. In addition to, and without limitation on, the foregoing, if the Special Shareholders' Percentage exceeds 45% (including, without limitation, by reason of an adjustment provided for in the second to last sentence of Section 5.7 before or after such Date) on or at any time after giving effect to the adjustment thereto to be made on the Stock Purchase Agreement Performance Date, then the Special Shareholders' Percentage shall be reduced (but not below 45%) as described in the next sentence at any time that either (i) any Special Shareholder Transfers Beneficial Ownership of shares of Common Stock (other than to another Special Shareholder) or (ii) the Corporation issues shares of Common Stock. The percentage to which the

Special Shareholders' Percentage shall be reduced under the immediately preceding sentence shall be the greater of 45% or a fraction, the numerator of which is (p) in the case of a Transfer by a Special Shareholder, the number of shares of Common Stock Beneficially Owned by the Special Shareholders immediately after such Transfer or (q) in the case of an issuance of shares of Common Stock by the Corporation, the number of shares of Common Stock Beneficially Owned by the Special Shareholders immediately prior to such issuance, and the denominator of which is the actual number of shares of Common Stock outstanding immediately after such Transfer or Issuance.

(y) "Stock" shall mean shares of stock of the Corporation that are either Common Stock or Preferred Stock.

- 6 -

24

(z) "Stock Purchase Agreement" shall mean that Stock Purchase Agreement dated as of November 5, 1995, by and among the Corporation, Security Capital Holdings S.A., and Security Capital U.S. Realty.

(aa) "Stock Purchase Agreement Performance Date" shall mean the first date on which the "remaining equity commitment" (as defined in the Stock Purchase Agreement) shall have been reduced to zero and the Company shall have no continuing right (subject to the limitations set forth in this Article V and the Stockholders Agreement) to require the Special Shareholders to purchase shares of Common Stock pursuant to Section 2.5(b) of the Stock Purchase Agreement.

(bb) "Stockholders Agreement" shall mean that Stockholders Agreement dated as of April 30, 1996, by and among the Corporation, Carr Realty, L.P., Security Capital Holdings S.A., and Security Capital U.S. Realty S.A.

(cc) "Transfer" shall mean any sale, transfer, gift, assignment, pledge, hypothecation, devise or other disposition of Stock or the right to vote or receive dividends on Stock (including (i) the granting of any option or entering into any agreement for the sale, transfer or other disposition of Stock, or the right to vote or receive dividends on Stock or (ii) the sale, transfer, assignment or other disposition or grant of any Acquisition Rights or other securities or rights convertible into or exchangeable for Stock, or the right to vote or receive dividends on Stock), whether voluntary or involuntary, whether of record, constructively, or beneficially, and whether by operation of law or otherwise.

(dd) "Trust" shall mean the trust created pursuant to Section

(ee) "Trustee" shall mean the Person unaffiliated with the Corporation, or the Purported Beneficial Transferee, or the Purported Record Transferee, that is appointed by the Corporation to serve as trustee of the Trust.

(ff) "25% Termination Date" shall mean such date as is defined in the Stockholders Agreement.

(gg) "Units" shall mean Partnership Units as that term is defined in the Agreement of Limited Partnership of Carr Realty, L.P., a Delaware limited partnership, as effective on the date of the Initial Public Offering.

(hh) "U.S. Person" shall mean (a) a citizen or resident of the United States, (b) a partnership created or organized in the United States or under the laws of the United States or any state therein (including the District of Columbia), (c) a corporation created or organized in the United States or under the laws of the United States or any state therein (including the District of

- 7 -

25

Columbia), and (d) any estate or trust (other than a foreign estate or foreign trust, within the meaning of Section 7701(a)(31) of the Code.

Section 5.2 Restrictions. Except as provided in Section 5.10, during the period commencing on the date of the Initial Public Offering and prior to the Restriction Termination Date:

(i) no Person (other than an Existing Holder or a Special Shareholder) shall Acquire any shares of Stock if, as the result of such Acquisition, such Person shall Beneficially Own shares of Stock in excess of the Ownership Limit;

(ii) no Existing Holder shall Acquire any shares of Stock if, as a result of such Acquisition, such Person shall Beneficially Own shares of Stock in excess of the Existing Holder Limit for such Existing Holder;

(iii) no Special Shareholder shall Acquire any shares of Stock if, as a result of such Acquisition, such Person, together with all other Special Shareholders (but without duplication), shall Beneficially Own shares of Stock in excess of the Special Shareholder Limit;

(iv) no Person shall Acquire any shares of Stock if, as a

result of such Acquisition, the Stock would be directly or indirectly owned by less than 100 Persons (determined without reference to the rules of attribution under Section 544 of the Code);

(v) no Person shall Acquire any shares of Stock if, as a result of such Acquisition, the Corporation would be "closely held" within the meaning of Section 856(h) of the Code;

(vi) no Person (other than a Special Shareholder) shall acquire any shares of Stock after the Effective Date if, as a result of such Acquisition, the fair market value of the shares of Stock owned directly and indirectly by Non-U.S. Persons would comprise 50% or more of the fair market value of the issued and outstanding shares of Stock (determined assuming that the Special Shareholders are Non-U.S. Persons and own a percentage of the outstanding Stock of the Company (by value) equal to the Special Shareholders' Percentage); and

(vii) no Special Shareholder shall Acquire any shares of Stock (i) prior to the Stock Purchase Agreement Performance Date unless such Acquisition is pursuant to Sections 2.3, 2.4 or 2.5(b) of the Stock Purchase Agreement or specifically permitted pursuant to Section 2.5(a) of the Stock Purchase Agreement and (ii) after the Stock Purchase Agreement Performance Date if the Special Shareholders' Percentage exceeds 45%.

- 8 -

26

### Section 5.3 Remedies for Breach.

(a) If, notwithstanding the other provisions contained in this Article V, at any time there is a purported Transfer, Acquisition, change in the capital structure of the Corporation or other event (including, without limitation, a change in the relationship between two or more Persons that causes the application of Section 544 of the Code, as modified by Section 856(h)), that, if effective, would result in the violation of one or more of the restrictions on ownership and transfer described in Section 5.2, then (1) in the case of a Transfer or Acquisition, that number of shares of Stock purported to be Transferred or Acquired that otherwise would cause such Person to violate Section 5.2 (rounded up to the next whole share) shall be automatically transferred to a Trust for the benefit of a Charitable Beneficiary, as described in Section 5.12, effective as of the close of business on the day immediately prior to the date of such purported Transfer or Acquisition, and such Person shall acquire no rights in such shares of Stock; (2) in the case of any event other than a Transfer or Acquisition (a "Beneficial Ownership Event"), that number of shares of Stock that would be owned by Persons (the "Affected Persons") as a result of such Beneficial Ownership Event that otherwise would violate Section 5.2

(rounded up to the next whole share) shall be automatically transferred to a Trust for the benefit of a Charitable Beneficiary, as described in Section 5.12, effective as of the close of business on the day immediately prior to such Beneficial Ownership Event, and such Affected Persons or Persons shall acquire no rights (or have no continuing rights) in such shares of Stock; or (3) if the transfer to the Trust described in either clause (1) or clause (2) hereof would not be effective for any reason to prevent any Person from Beneficially Owning Stock in violation of Section 5.2, then the Transfer, Acquisition, or other Beneficial Ownership Event that would otherwise cause such Person to violate Section 5.2 shall be void ab initio.

(b) Notwithstanding the other provisions hereof, any Transfer or Acquisition of shares of Stock that, if effective, would result in the Stock being beneficially owned by less than 100 persons (determined without reference to any rules of attribution) shall be void ab initio, and the intended transferee shall acquire no rights in such shares of Stock.

(c) In addition to, and without limitation by, subparagraphs (a) and (b) above, if the Board of Directors or its designees shall at any time determine in good faith that a Transfer, Acquisition or other event has taken place in violation of Section 5.2 or that a Person intends to Acquire, has attempted to Acquire, or may Acquire direct ownership, beneficial ownership (determined without reference to any rules of attribution) or Beneficial Ownership of any Stock in violation of Section 5.2, the Board of Directors or its designees shall take such action as it deems advisable to refuse to give effect to or to prevent such Transfer or other event, including, but not limited to, causing the

- 9 -

27

Corporation to refuse to give effect to such Transfer or other event on the books of the Corporation or instituting proceedings to enjoin such Transfer or other event; provided, however, that any Transfer or Acquisition (or, in the case of events other than a Transfer or Acquisition, ownership or Beneficial Ownership) in violation of Section 5.2 shall automatically result in the transfer to the Trust described in Section 5.12, irrespective of any action (or non-action) by the Board of Directors.

(d) Nothing contained in this Section 5.3 shall limit the authority of the Board of Directors to take such other action as it deems necessary or advisable to protect the Corporation and the interests of its stockholders by preservation of the Corporation's status as a REIT.

Section 5.4. Notice of Restricted Transfer. Any Person who acquires or attempts or intends to acquire shares of Stock in violation of

Section 5.2 shall immediately give written notice to the Corporation of such event and shall provide to the Corporation such other information as the Corporation may request in order to determine the effect, if any, of such Transfer or attempted or intended Transfer on the Corporation's status as a REIT.

Section 5.5. Owners Required To Provide Information. From the date of the Initial Public Offering and prior to the Restriction Termination Date:

(a) every stockholder of record of more than 5% (or such lower percentage as required by the Code or regulations promulgated thereunder) of the outstanding Stock of the Corporation shall, within 30 days after December 31 of each year, give written notice to the Corporation stating the name and address of such record stockholder, the number of shares Beneficially Owned by it, and a description of how such shares are held; provided that a shareholder of record who holds outstanding Stock of the Corporation as nominee for another person, which other person is required to include in gross income the dividends received on such Stock (an "Actual Owner"), shall give written notice to the Corporation stating the name and address of such Actual Owner and the number of shares of such Actual Owner with respect to which the stockholder of record is nominee.

(b) every Actual Owner of more than 5% (or such lower percentage as required by the Code or regulations promulgated thereunder) of the outstanding Stock of the Corporation who is not a stockholder of record of the Corporation, shall within 30 days after December 31 of each year, give written notice to the Corporation stating the name and address of such Actual Owner, the number of shares Beneficially Owned, and a description of how such shares are held.

(c) each person who is a Beneficial Owner of Stock and each Person (including the stockholder of record) who is holding Stock for a Beneficial

- 10 -

28

Owner shall provide to the Corporation such information as the Corporation may request, in good faith, in order to determine the Corporation's status as a REIT.

Section 5.6. Ambiguity. In the case of an ambiguity in the application of any of the provisions of this Article V, including any definition contained in Section 5.1, the Board of Directors shall have the power to determine the application of the provisions of this Article V with respect to any situation based on the facts known to it.

Section 5.7. Modification of Existing Holder and Special Shareholder Limits. Subject to Section 5.9(c), the Existing Holder Limit with respect to an Existing Holder shall be reduced at any time that either (i) such Existing Holder transfers shares of Common Stock or Acquisition Rights or (ii) the Corporation issues shares of Stock, in either case by reducing the percentages calculated pursuant to the definition of Existing Holder Limit to the percentages in effect immediately after such Transfer or issuance. The Existing Holder Limit and the Special Shareholder Limit each shall be increased at any time that the Corporation redeems or otherwise purchases shares of Stock by increasing the percentages calculated pursuant to the definition of Existing Holder Limit and Special Shareholder Limit to the percentages in effect immediately after such redemption or other purchase (but the Special Shareholders' Percentage shall thereafter be subject to reduction as and when provided for in the last two sentences of the definition of "Special Shareholders' Percentage" set forth in Section 5.1 above). Each Existing Holder shall give the Board of Directors written notice of any Transfer of shares within 10 business days thereafter.

Section 5.8. Modification of Ownership Limit. Subject to the limitations provided in Section 5.9, the Board of Directors may from time to time increase the Ownership Limit.

Section 5.9. Limitations on Modifications.

(a) The Ownership Limit may not be increased if, after giving effect to such increase, five Persons who are considered individuals pursuant to Section 542(a)(2) of the Code (taking into account all of the then Existing Holders, Special Shareholders, and all Acquisition Rights) could Beneficially Own, in the aggregate, more than 49.5% of the value of the outstanding Stock.

(b) Prior to the modification of the Ownership Limit pursuant to Section 5.8, the Board of Directors of the Corporation may require such opinions of counsel, affidavits, undertakings or agreements as it may deem necessary or advisable in order to determine or ensure the Corporation's status as a REIT.

- 11 -

29

(c) No Existing Holder Limit shall be reduced to a percentage which is less than the Ownership Limit with respect to shares of Common Stock.

(d) The Ownership Limit, with respect to shares of Common



Stock and with respect to shares of any class or series of Preferred Stock, may not be increased to a percentage which is greater than 9.8 percent.

Section 5.10. Exception. The Board of Directors, in its sole discretion, may exempt a Person (the "Exempted Holder") from the Ownership Limit, the Existing Holder Limit, or the Special Shareholder Limit, as the case may be, with respect to Stock to be Acquired or Beneficially Owned by such Person (A) if the Person is not an individual for purposes of Section 542(a)(2) of the Code and the Board of Directors obtains such representations and undertakings from such Person as it determines are reasonably necessary to ascertain that no individual's Beneficial Ownership of such shares of Stock will violate the Ownership Limit, the Existing Holder Limit, or the Special Shareholder Limit as the case may be, and (B) if such Person agrees that any violation of such representations or undertaking (or other action that is contrary to the restrictions set forth in Section 5.2) or attempted violation will result in such Stock being automatically transferred to the Trust as described in Section 5.12. Prior to granting any exception pursuant to this Section 5.10, the Board of Directors may require a ruling from the IRS, or an opinion of counsel, in either case in form and substance satisfactory to the Board of Directors in its sole discretion, as it may deem necessary or advisable in order to determine or ensure the Corporation's status as a REIT. Notwithstanding the receipt of any ruling or opinion, the Board of Directors may impose such conditions or restrictions as it deems appropriate in connection with granting such exception.

Section 5.11. Legend. Each certificate for Stock shall bear the following legend:

"No Person (1) may Beneficially Own shares of Common Stock in excess of 5 percent (or such greater percentage as may be determined by the Board of Directors of the Corporation) of the outstanding Common Stock of the Corporation (unless such Person is an Existing Holder or a Special Shareholder), (2) may Beneficially Own shares of any class or series of Preferred Stock in excess of 5 percent (or such greater percentage as may be determined by the Board of Directors of the Corporation) of the outstanding shares of such class or series of Preferred Stock of the Corporation (unless such Person is an Existing Holder or Special Shareholder), (3) Beneficially Own Stock that would result in the Corporation's being "closely held" (within the meaning of Section 856(h) of the Code) or Acquire Stock that would result in the Corporation having less than 100 shareholders (as determined for purposes of Section 856(a)(5) of the Code), or (4) unless such

Person is a Special Shareholder, Acquire shares of Stock if, as a result of such Acquisition, the Corporation would fail to qualify as a "domestically controlled REIT" (within the meaning of Section 897(h)(4) of the Code) (determined assuming that the Special Shareholders are Non-U.S. Persons and own a percentage (by value) of the Company's stock corresponding to the Special Shareholders' Percentage). Separate restrictions set forth in Article V of the Articles of Incorporation apply to Existing Holders and Special Shareholders. Any Person who attempts to Beneficially Own shares of Stock in excess of the above limitations must immediately notify the Corporation. If any of the restrictions on transfer or ownership set forth in Article V of the Articles of Incorporation are violated, the Stock represented hereby will be automatically transferred to the Trustee of a Trust for the benefit of a Charitable Beneficiary pursuant to the terms of Article V of the Articles of Incorporation. In addition, attempted transfers of Stock in violation of the limitations described above (as modified or expanded upon in Article V of the Corporation's Articles of Incorporation), may be void ab initio. A Person who attempts to Beneficially Own shares of Stock in violation of the ownership limitations set forth in Section 5.2 of the Articles of Incorporation shall have no claim, cause of action, or any other recourse whatsoever against a transferor of such shares. All capitalized terms in this legend have the meanings defined in the Corporation's Articles of Incorporation, a copy of which, including the restrictions on transfer, will be sent without charge to each stockholder who so requests.

#### Section 5.12. Transfer of Stock in Trust.

(a) Ownership in Trust; Status of Shares Held in Trust. Upon any purported Transfer (whether or not such Transfer is the result of a transaction engaged in through the facilities of the NYSE), Acquisition or other event that results in the transfer of Stock to a Trust pursuant to Section 5.3, such shares of Stock shall be deemed to have been transferred to the Trustee in its capacity as Trustee for the exclusive benefit of one or more Charitable Beneficiaries. The Trustee shall be appointed by the Corporation and shall be a Person unaffiliated with the Corporation, any Purported Beneficial Transferee or Purported Record Transferee. Each Charitable Beneficiary shall be designated by the Corporation as provided in Section 5.13. Shares of Stock so held in Trust shall be issued and outstanding stock of the Corporation. The Purported Beneficial Transferee or Purported Record Transferee shall not benefit economically from ownership of any shares of Stock held in Trust by the Trustee, shall have no rights to dividends paid with respect to such shares, and shall not possess any rights to vote or other rights attributable to the shares

31

held in Trust. The Purported Record Transferee and the Purported Beneficial Transferee of shares of Stock in violation of Section 5.2 shall have no claim, cause of action, or any other recourse whatsoever against the purported transferor of such shares.

(b) Dividend Rights. The Trustee shall have all rights to dividends with respect to shares of Stock held in the Trust, which rights shall be exercised for the exclusive benefit of the Charitable Beneficiary. Any dividend or distribution paid prior to the discovery by the Corporation that the shares of Stock have been transferred to the Trustee with respect to such shares shall be paid over to the Trustee by the recipient thereof upon demand, and any dividend declared but unpaid shall be paid when due to the Trustee. Any dividends or distributions so paid over to the Trustee shall be held in trust for the Charitable Beneficiary.

(c) Rights upon Liquidation. In the event of any voluntary or involuntary liquidation, dissolution or winding up of or any distribution of the assets of the Corporation, the Trustee shall be entitled to receive, ratably with each other holder of Stock of the class of Stock that is held in the Trust, that portion of the assets of the Corporation available for distribution to the holders of such class (determined based upon the ratio that the number of shares of such class of Stock held by the Trustee bears to the total number of shares of such class of Stock then outstanding). The Trustee shall distribute any such assets received in respect of the Stock held in the Trust in any liquidation, dissolution or winding up of, or distribution of the assets of the Corporation in accordance with Section 5.12(d) below.

(d) Sale of Shares by Trustee. Within twenty days of receiving notice from the Corporation that shares of Stock have been transferred to the Trust, the Trustee of the Trust shall sell the shares held in Trust to a Person, designated by the Trustee, whose ownership of the shares of Stock held in the Trust would not violate the ownership limitations set forth in Section 5.2. Upon such sale, the interest of the Charitable Beneficiary in the shares sold shall terminate and the Trustee shall distribute the net proceeds of the sale to the Purported Record Transferee and to the Charitable Beneficiary as provided in this Section 5.12. The Purported Record Transferee shall receive the lesser of (1) (x) the price per share such Purported Record Transferee paid for the Stock in the purported Transfer that resulted in the transfer of shares of Stock to the Trust, or (y) if the Transfer or other event that resulted in the transfer of shares of Stock to the Trust was not a transaction in which the Purported Record Transferee gave full value for such shares of Stock, a price per share equal to the Market Price on the date of the purported Transfer or other event that resulted in the transfer of such shares of Stock to the Trust and (2) the price per share received by the Trustee from the sale or other disposition of the shares held in the Trust. Any net

sales proceeds in excess of the amount payable to the Purported Record Transferee shall be immediately paid to the Charitable

- 14 -

32

Beneficiary. If, prior to the discovery by the Corporation that shares of Stock have been transferred to the Trustee, such shares are sold by the Purported Record Transferee, then (i) such shares shall be deemed to have been sold on behalf of the Trust and (ii) to the extent that the Purported Record Transferee received an amount for such shares that exceeds the amount such Purported Record Transferee was entitled to receive pursuant to this subparagraph (d), such excess shall be paid to the Trustee upon demand. The Trustee shall have the right and power (but not the obligation) to offer any share of Stock held in the Trust for sale to the Corporation on such terms and conditions as the Trustee shall determine appropriate.

(e) Voting and Notice Rights. The Trustee shall have all voting rights and rights to receive any notice of any meetings, which rights shall be exercised for the exclusive benefit of the Charitable Beneficiary. The Purported Record Transferee shall have no voting rights with respect to shares held in Trust.

Section 5.13. Designation of Charitable Beneficiary. By written notice to the Trustee, the Corporation shall designate one or more nonprofit organizations to be the Charitable Beneficiary of the interest in the Trust such that (i) the shares of Stock held in the Trust would not violate the restrictions set forth in Section 5.2 in the hands of such Charitable Beneficiary and (ii) each Charitable Beneficiary is an organization described in Sections 170(b)(1)(A), 170(c)(2) and 501(c)(3) of the Code.

Section 5.14. Settlement. Nothing in this Article V shall preclude the settlement of any transaction entered into through the facilities of the NYSE (but the fact that settlement of a transaction is permitted shall not negate the effect of any other provision of this Article V and all of the provisions of this Article V shall apply to the purported transferee of the shares of Stock in such transaction).

Section 5.15. Termination of REIT Status. The Board of Directors shall take no action to terminate the Corporation's status as a REIT or to amend the provisions of this Article V until such time as (i) the Board of Directors adopts a resolution recommending that the Corporation terminate its status as a REIT or amend this Article V, as the case may be, (ii) the Board of Directors presents the resolution at an annual or special meeting of the stockholders and (iii) such resolution is approved by holders of a

majority of the voting power of the issued and outstanding shares of Stock.

Section 5.16. Severability. If any provision of this Article or any application of any such provision is determined to be invalid by any Federal or state court having jurisdiction over the issues, the validity of the remaining provisions shall not be affected and other applications of such provision shall be

- 15 -

33

affected only to the extent necessary to comply with the determination of such court."

FOURTH: The board of directors of the Corporation on November 3, 1995 duly approved the foregoing amendments to the charter of the Corporation, subject to, among other things, the approval thereof by the stockholders of the Corporation.

FIFTH: Notice of a special meeting of stockholders of the Corporation to take action on certain proposals, including the foregoing amendments given to each stockholder entitled to vote on the foregoing amendments.

SEVENTH: The stockholders of the Corporation on February 26, 1996 duly approved the foregoing amendments to the charter of the Corporation at a special meeting of the stockholders of the Corporation.

IN WITNESS WHEREOF, Carr Realty Corporation has caused these presents to be signed in its name and on its behalf by its Chief Financial Officer and attested by its Assistant Secretary on April 29, 1996. The undersigned hereby certifies, under penalties of perjury, that to the best of his knowledge, information and belief the matters and facts set forth herein are true and correct in all material respects.

CARR REALTY CORPORATION

By: /s/ BRIAN K. FIELDS

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Brian K. Fields  
Chief Financial Officer

Attest: /s/ DEBRA A. VOLPICELLI

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ARTICLES OF AMENDMENT  
OF  
ARTICLES OF INCORPORATION  
OF  
CARR REALTY CORPORATION

Carr Realty Corporation, a Maryland corporation, having its principal office in Maryland in Baltimore, Maryland (the "Corporation"), and having The Corporation Trust, Incorporated as its resident agent located at 23 South Street, Baltimore, Maryland, hereby certifies to the State Department of Assessment and Taxation of Maryland (the "Department") that:

FIRST: The charter of the Corporation is hereby amended by striking in its entirety Article I and by inserting in lieu thereof the following:

"ARTICLE I.

Name

The name of the Corporation (the "Corporation") is:  
CarrAmerica Realty Corporation."

SECOND: The board of directors of the Corporation on November 3, 1995 duly approved the foregoing amendment to the charter of the Corporation, subject to, among other things, the approval thereof by the stockholders of the Corporation.

THIRD: The stockholders of the Corporation on February 26, 1996 duly approved the foregoing amendment to the charter of the Corporation at a special meeting of the stockholders of the Corporation.

IN WITNESS WHEREOF, Carr Realty Corporation has caused these presents to be signed in its name and on its behalf by its Chief Financial Officer and attested by its Assistant Secretary on April 30, 1996. The undersigned hereby

certifies, under penalties of perjury, that to the best of his knowledge, information and belief the matters and facts set forth herein are true and correct in all material respects.

CARR REALTY CORPORATION

By: /s/ BRIAN K. FIELDS

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Brian K. Fields  
Chief Financial Officer

Attest: /s/ DEBRA A. VOLPICELLI

-----  
Debra A. Volpicelli  
Assistant Secretary

## EXHIBIT 3.2

Amendment and Restatement  
of By-laws of the Company,  
as amended February 26, 1983, April 28, 1995, June 29, 1995,  
July 28, 1995, January 26, 1996, April 26, 1996, and April 30, 1996.

## AMENDMENT AND RESTATEMENT

OF

CARR REALTY CORPORATION

BY-LAWS

Carr Realty Corporation, a Maryland Corporation (the "Corporation") having its principal office in Maryland in Baltimore, Maryland, and having the Corporation Trust, Incorporated as its resident agent located at 23 South Street, Baltimore, Maryland, hereby amends and restates the By-laws of the Corporation adopted as of July 9, 1992, as follows:

## ARTICLE 1

The name of the Corporation is: Carr Realty Corporation.

## ARTICLE 2

OFFICES

The Corporation shall maintain a registered office in the State of Maryland as required by law. The Corporation may also have offices at other places, within or without the State of Maryland, as the business of the Corporation may require.



ARTICLE 3  
STOCKHOLDERS

Section 3.01. Annual Meeting. The annual meeting of the stockholders shall be held each year between May 1 and May 31 on such date and at such time as the Board of Directors designates. At each annual meeting, the stockholders shall elect the members of the Board of Directors and transact such other business as may be properly brought before the meeting.

Section 3.02. Special Meetings. Special meetings of stockholders for any purpose or purposes, described in the meeting notice, may be called by the President or the Chairman of the Board of Directors and shall be called by the President or the Chairman of the Board of Directors or the Secretary at the request in writing of one (1) or more Directors or of the holders of 25 percent or more of the issued and outstanding shares of capital stock of the Corporation entitled to be voted at the meeting. Such a request shall state the purpose or purposes of the proposed meeting.

3

Section 3.03. Place of Meetings. Meetings of stockholders possessing voting shares shall be held at such place, within or without the State of Maryland, as the Board of Directors designates.

Section 3.04. Notice of Stockholder Meetings.

(a) Required notice. Written notice stating the place, day and hour of any annual or special stockholder meeting shall be delivered not less than 10 nor more than 60 days before the date of the meeting, either personally or by mail, by or at the direction of the President, the Board of Directors, or other persons calling the meeting, to each stockholder of record entitled to vote at such meeting and to any other stockholder entitled by the Maryland General Corporation Law or the Articles of Incorporation to receive notice of the meeting. Notice shall be deemed to be effective at the earlier of: (1) when deposited in the United States mail, addressed to the stockholder at his address as it appears on the stock transfer books of the corporation, with postage thereon prepaid; (2) on the date shown on the return receipt if sent by registered or certified mail, return receipt requested, and the receipt is signed by or on behalf of the addressee; or (3) when received.

(b) Adjourned Meeting. If any stockholder meeting is adjourned to a different date, time, or place, notice need not be given of the new date, time, and place, if the new date, time, and place is announced at the meeting before adjournment. But if the new record date for the adjourned meeting is or must be fixed, then notice must be given pursuant to the requirements of paragraph (a) of this Section 3.04, to those persons who are stockholders as of the new record date.

(c) Waiver of Notice. A stockholder may waive notice of

the meeting (or any notice required by the Maryland General Corporation Law, Articles of Incorporation, or these By-laws), by a writing signed by the stockholder entitled to the notice, which is delivered to the Corporation (either before or after the date and time stated in the notice) for inclusion in the minutes or filing with the corporate records.

A stockholder's attendance at a meeting:

- (1) waives objection to lack of notice or defective notice of the meeting unless the stockholder at the beginning of the meeting objects to holding the meeting or transacting business at the meeting; or
- (2) waives objection to consideration of a particular matter at the meeting that is not within the purpose or purposes described in the meeting notice, unless the stockholder objects to considering the matter when it is presented.

-2-

4

(d) Contents of Notice. The notice of each special stockholder meeting shall include a description of the purpose or purposes for which the meeting is called. Except as provided in this Section 3.04 (d), or as provided in the Corporation's Articles of Incorporation, or otherwise in the Maryland General Corporation Law, the notice of an annual stockholder meeting need not include a description of the purpose or purposes for which the meeting is called.

Section 3.05. Fixing of Record Date; List of Stockholders. The Board of Directors may fax, in advance, a record date not less than thirty nor more than ninety days before the date then fixed for the holding of any meeting of the stockholders. The record date shall not be prior to the close of business on the day the record date is fixed. All persons who were holders of record of shares at such time, and no others, shall be entitled to vote at such meeting and any adjournment thereof. At each meeting of stockholders, a true, full and complete list of all stockholders entitled to vote at each meeting, showing the number and class of shares held by each and certified by the transfer agent for such class or by the Secretary, shall be furnished by the Secretary.

Section 3.06. Quorum. The holders, present in person or represented by proxy, of a majority of the issued and outstanding shares of capital stock entitled to be voted at a meeting shall constitute a quorum for the transaction of business at the meeting. If less than a quorum is present, the holders of a majority of such shares whose holders are so

present or represented may from time to time adjourn the meeting to another place, date or hour until a quorum is present, whereupon the meeting may be held, as adjourned, without further notice except as required by law or by Section 3.04.

Section 3.07. Voting. When a quorum is present at a meeting of the stockholders, the vote of the holders of a majority of the shares of capital stock entitled to be voted whose holders are present in person or represented by proxy shall decide any question brought before the meeting, unless the question is one upon which, by express provision of law or of the Articles of Incorporation or of these By-laws, a different vote is required. Unless otherwise provided in the Articles of Incorporation or of these By-laws, a different vote is required. Unless otherwise provided in the Articles of Incorporation, each stockholder shall at a meeting of the stockholders be entitled to one (1) vote in person or by proxy for each share of capital stock entitled to be voted held by such stockholders. At a meeting of the stockholders, all questions relating to the qualifications of voters, the validity of proxies, and the acceptance or rejection of votes shall be decided by the presiding officer of the meeting.

Section 3.08. Presiding Officer of Meetings. The Chairman of the Board of Directors, or in his absence the Chief Executive Officer, or in both their absence the President, shall preside at all meetings of the stockholders. In the absence of the Chairman of the Board, the Chief Executive Officer and the

-3-

5

President, the presiding officer shall be elected by vote of the holders of a majority of the shares of capital stock entitled to be voted whose holders are present in person or represented by proxy at the meeting.

Section 3.09. Secretary of Meetings. The Secretary of the Corporation shall act as secretary of all meetings of the stockholders. In the absence of the Secretary, the presiding officer of the meeting shall appoint any other person to act as secretary of the meeting.

Section 3.10. Proxies. At all meetings of stockholders, a stockholder may vote in person or vote by proxy which is executed in writing by the stockholder or which is executed by his duly authorized attorney-in-fact. Such proxy shall be filed with the Secretary of the Corporation or other persons authorized to tabulate votes before or at the time of the meeting. No proxy shall be valid after 11 months from the date of its execution unless otherwise provided in the proxy.

#### ARTICLE 4

BOARD OF DIRECTORS

Section 4.01. Powers. The business of the Corporation shall be managed under the direction of the Board of Directors, which shall exercise all such powers of the Corporation and do all such lawful acts and things as are not by law or by the Articles of Incorporation or by these By-laws directed or required to be exercised or done by the stockholder.

Section 4.02. Number; Election; Qualification; Term.

(a) The Board of Directors shall consist of eleven members or such number as determined from time to time by amendment of this subsection. The number of Directors shall in no event be less than three. The term of office of a Director shall not be affected by any decrease in the authorized number of Directors.

(b) The Board of Director shall initially consist of the persons named as the Directors of the Corporation by the incorporater in the Articles of Incorporation and any Directors selected in accordance with Section 4.03. Beginning with the annual meeting of stockholders in 1994, at the first meeting and at each subsequent annual meeting of the stockholders, the stockholders shall elect Directors as set forth in paragraph (d) below.

(c) Unless by terms of the action pursuant to which he was elected any special condition or conditions must be fulfilled in order for him to be qualified, a person elected as a Director shall be deemed to be qualified (1) upon his receipt of notice of election and his indication of acceptance thereof or (2) upon the expiration

-4-

6

of ten days after notice of election is given to him without his having given notice of inability or unwillingness to serve. Directors do not need to be residents of Maryland or stockholders of the Corporation.

(d) The initial Directors shall be classified, with respect to the time for which they severally hold office, into three classes, as nearly equal in number as possible. One class shall serve for a term expiring at the annual meeting of stockholders to be held in 1994. Another class shall serve for a term expiring at the annual meeting of stockholders to be held in 1995. Another class shall serve for a term expiring at the annual meeting of stockholders to be held in 1996. Each class will hold office until its successors are elected and qualified. At each annual meeting of the stockholders of the Corporation, the successors of the class of directors whose terms expire at that meeting shall be elected to hold office for a term

expiring at the annual meeting of stockholders held in the third year following the year of their election.

Section 4.03. Vacancies. Whenever between annual meetings of the stockholders any vacancy exists in the Board of Directors by reason of death, resignation, removal, or increase in the authorized number of Directors, or otherwise, it may be filled by vote of a majority of the Directors in office. A director elected by the Board of Directors to fill a vacancy shall serve for the balance of the term of the director he or she is replacing and until his or her successor is elected and qualifies.

Section 4.04. Place of Meetings. Any meeting of the Board of Directors may be held either within or without the State of Maryland.

Section 4.05. Annual Meeting. There shall be an annual meeting of the Board of Directors for an election of officers and the transaction of such other business as may be brought before the meeting. The annual meeting of the Board shall be held immediately following the annual meeting of the stockholders or any adjournment thereof, at the place where the annual meeting of the stockholders was held or at such other place as a majority of the Directors who are then present determine. If the annual meeting is not so held, it shall be called and held in the manner provided herein for special meetings of the Board or conducted pursuant to Section 4.12.

Section 4.06 Regular Meetings. Regular meetings of the Board of Directors, other than the annual meeting, may be held without notice at such times and places as the Board may have fixed by resolution.

Section 4.07. Special Meetings. Special meetings of the Board of Directors may be called by the Chairman of the Board or the President and shall be called on the written request of any Director.

-5-

7

Section 4.08. Notice of and Waiver of Notice for, Special Directors Meetings. Unless the Articles of Incorporation provide for a longer or shorter period, notice of any special director meeting shall be given at least two days previously thereto either orally or in writing. If notice is given in writing, notice of any director meeting shall be deemed to be effective at the earlier of: (1) when received; or (2) the date shown on the return receipt if sent by registered or certified mail, return receipt requested, and the receipt is signed by or on behalf of the Director. Any Director may waive notice of any meeting. Except as provided in the next sentence, the waiver must be in writing, signed by the Director entitled to the notice, and filed with the minutes or corporate records. The attendance of a

Director at a meeting shall constitute a waiver of notice of such meeting, except where a Director attends a meeting for the express purpose of the objection to the transaction of any business at the beginning of the meeting (or promptly upon his arrival) objects to holding the meeting or transacting business at the meeting, and does not thereafter vote for or assent to action taken at the meeting. Unless required by the Articles of Incorporation, neither the business to be transacted, nor the purpose of, any special meeting of the Board of Directors need be specified in the notice or waiver of notice of such meeting.

Section 4.09. Organization. Every meeting of the Board of Directors shall be presided over by the Chairman of the Board or in his absence by the Chief Executive Officer or in both their absence the President. In the absence of the Chairman of the Board, the Chief Executive Officer, and the President, a presiding officer shall be chosen by a majority of the Directors present. The Secretary of the Corporation shall act as secretary of the meeting. In his absence the presiding officer shall appoint another person to act as secretary of the meeting.

Section 4.10. Quorum. The presence of a majority or more of the number of Directors fixed by Section 4.02 (a) shall be necessary to constitute a quorum for the transaction of business at a meeting of the Board of Directors. If less than quorum is present, a majority of the Directors present may from time to time adjourn to another time or place until a quorum is present, whereupon the meeting may be held, as adjourned without further notice.

Section 4.11. Vote. The act of a majority of the Directors present at any meeting at which there is a quorum shall be the act of the Board of Directors, except as may be otherwise specifically provided by law, by the Articles of Incorporation, or by these By-laws. Where a vote of the Directors present results in a tie, the action proposed shall not constitute an act of the Board of Directors.

Section 4.12. Action in Lieu of a Meeting. Any action required or permitted to be taken at any meeting of the Board of Directors or of any committee thereof may be taken without a meeting, if a unanimous written consent of the members of the Board or committee, as the case may be, is signed by each member

-6-

8

of the Board or committee, and the writing or writings are filed with the minutes of the proceedings of the Board or committee.

Section 4.13. Conference Call Meeting. Members of

the Board of Directors or of any committee thereof may participate in a meeting of the Board or committee, as the case may be, by means of conference telephone or similar communications equipment by means of which all persons participating in the meeting can hear each other, and such participation in a meeting shall constitute presence in person at the meeting.

Section 4.14. Removal of Director. Any Director shall be subject to removal as provided in the Articles of Incorporation.

Section 4.15. Chairman of the Board. The Board of Directors may choose a Chairman of the Board who shall, if present, preside at meetings of the Board and of the stockholders. The Chairman of the Board may be an officer of the Corporation elected pursuant to Article 6.

Section 4.16. Compensation. Unless otherwise provided in the Articles of Incorporation, each Director may receive compensation for services to the Corporation in his capacity as a Director in such manner and in such amounts as may be fixed from time to time pursuant to resolution of the Board of Directors, and expenses of attendance at each regular or special meetings of the Board of Directors. Officers of the Corporation who are Directors will not be paid director fees.

## ARTICLE 5 COMMITTEES

Section 5.01. Committees of the Board. The Board of Directors may, by resolution passed by a majority of the Directors in office, establish one or more committees, each committee to consist of two or more of the Directors. The Board may designate one or more Directors as alternate members of any committee, who may replace any absent or disqualified member or members at any meeting of the committee. Any such committee, to the extent provided in the resolution of the Board, shall have may exercise all the power and authority of the Board for direction and supervision of the management of the business and affairs of the Corporation, and may authorize the seal of the Corporation to the affixed to all papers that may require it. No such committee, however, shall power or authority to (i) amend the Articles of Incorporation or the By-laws, (ii) adopt an agreement of merger or consolidation, (iii) recommend to the stockholders the sale, lease, or exchange of all or substantially all the Corporation's property and assets, (iv) recommend to the stockholders a dissolution, or (v) declare a dividend or authorize the issuance of stock.

-7-

9

Section 5.02. Procedures; Minutes of Minutes. Each committee shall determine its rules with respect to notice, quorum, voting, and taking of action, provided that such rules shall be consistent with

law, the rules in these By-laws applicable to the Board of Directors, and the resolution of the Board establishing the committee. Each committee shall keep regular minutes of its meetings and report the same to the Board of Directors when required.

## ARTICLE 6 OFFICERS

Section 6.01. General. The Board of Directors shall elect the officers of the Corporation, which shall include a Chief Executive Officer, a President, a Secretary, and a Treasurer, and such other officers as in the Board's opinion are desirable for the conduct of the business of the Corporation. Any two or more offices may be held by the same person except that the President shall not hold the Office of Secretary. If specifically authorized by the Board of Directors, an officer may appoint one or more officers or assistant officers.

Section 6.02. Power and Duties. Each of the officers of the Corporation shall, unless otherwise ordered by the Board of Directors, have such powers and duties as generally pertain to his respective office, as well as such powers and duties as from time to time may be conferred upon him by the Board.

Section 6.03. Term of Office, Removal and Vacancy. Each officer shall hold his office until his successor is elected and qualified or until his earlier resignation or removal and shall be subject to removal with or without cause at any time by the affirmative vote of a majority of the Directors in office. Any vacancy occurring in any office of the Corporation shall be filled by the Board of Directors.

Section 6.04. Chief Executive Officer. The Chief Executive Officer shall be the principal executive officer of the Corporation and, subject to the control of the Board of Directors and with the President, shall in general supervise and control all of the business and affairs of the Corporation and perform all duties incident to the office of the Chief Executive Officer and such other duties as may be prescribed by the Board of Directors from time to time. He shall, when present and in the absence of the Chairman of the Board, preside at all meetings of the stockholders and of the Board of Directors.

Section 6.05. President. The President, subject to the control of the Board of Directors and at the direction of and with the Chief Executive Officer, shall in general supervise and control all of the business and affairs of the Corporation. He shall, when present and in the absence of the Chairman of the Board and the Chief Executive Officer, preside at all meetings of the stockholders and the Board of Directors. He may sign, with the Secretary or any other proper officer of the Corporation authorized by the Board of Directors, certificates for



10

shares of the Corporation and deeds, mortgages, bonds, contracts, or other instruments which the Board has authorized to be executed, except in cases where the signing and execution thereof shall be expressly delegated by the Board of Directors or by these By-laws to some other officer or agent of the Corporation, or shall required by law to be otherwise signed or executed; and in general shall perform all duties incident to the office of President and such other duties as may be prescribed by Chief Executive Officer or the Board of Directors from time to time.

Section 6.06. Secretary. The Secretary shall:

(a) keep the minutes of the proceedings of the stockholders and of the Board of Directors in one or more books provided for that purpose; (b) see that all notices are duly given in accordance with the provisions of these By-laws or as required by law; (c) be custodian of the corporate records and of any seal of that Corporation and if there is a seal of the Corporation, see that it is affixed to all documents the execution of which on behalf of the Corporation under its seal is duly authorized; (d) when requested or required, authenticate any records of the Corporation; (e) keep a register of the post office address of each stockholder which shall be furnished to the Secretary by such stockholder; (f) sign with the President, or a Vice-president, certificates for shares of the Corporation, the issuance of which shall have authorized by resolution of the Board of Directors; (g) have general charge of the stock transfer books of the Corporation; and (h) in general perform all duties incident to the office of Secretary and such other duties as from time to time may be assigned to him by the Chief of Executive Officer, the President or the Board of Directors.

Section 6.07. Treasurer. The Treasurer shall:

(a) have charge and custody of and be responsible for all funds and securities of the Corporation; (b) receive and give receipts for money due and payable to the Corporation from any source whatsoever, and deposit all such moneys in the name of the Corporation in such banks, trust companies, or other depositories as shall be selected by the Board of Directors; and (c) in general, perform all of the duties incident to the office of Treasurer and such other duties as from time to time may be assigned to him by the Chief Executive Officer, the President or the Board of Directors. If required by the Board of Directors, the Treasurer shall give a bond for the faithful discharge of his duties in such sum and with such surety or sureties as the Board of Directors shall determine.

Section 6.08. Compensation. The compensation of

the officers shall be fixed from time to time by the Board of Directors.

ARTICLE 7  
CAPITAL STOCK

stockholder is entitled to a certificate which represents and certifies the shares of capital stock he or she

-9-

11

holds in the Corporation. A certificate may not be issued until the stock represented by it is fully paid. Certificates for shares of capital stock of the Corporation shall be in such form as the Board of Directors may from time to time prescribe and shall be signed by the President or a Vice-President and by the Secretary or the Treasurer. Any or each of the signatures on a stock certificate, including that of any transfer agent or registrar, may be a facsimile. If any officer, transfer agent or registrar who has signed or whose facsimile signature has been placed upon a certificate has ceased to be such officer, transfer agent, or registrar before the certificate is issued, the certificate may be issued by the Corporation with the same effect as if the officer, transfer agent, or registrar were the officer, transfer agent, or registrar at the date of issuance.

Section 7.02.

Transfer of Stock. Subject to

restrictions provided in the Articles of Incorporation, shares of stock of the Corporation shall be transferable on the books of the Corporation only by the holder of record thereof, in person or by duly authorized attorney, upon surrender and cancellation of a certificate or certificates for a like number of shares, with an assignment or power of transfer endorsed thereon or delivered therewith, duly executed, and with such proof of the authenticity of the signature and of authority to transfer, and of payment of transfer taxes, as the Corporation or its agents may require.

Section 7.03.

Ownership of Stock. The Corporation

shall be entitled to treat the holder of record of any share or shares of stock as the owner thereof in fact and shall not be bound to recognize any equitable or other claim to or interest in such share or shares on the part of any other person, whether or not it has express or other notice thereof, except as otherwise expressly provided by law.

Section 7.04.

Lost, Stolen, or Destroyed

Certificates. In case any certificate for stock of the Corporation is lost, stolen, or destroyed, the Corporation may require such proof of the fact and such indemnity to be given to it, to its transfer agent, or to its registrar, if any, as deemed necessary or advisable by it.

## ARTICLE 8 MISCELLANEOUS

Section 8.01.

Corporate Seal. The seal of the

Corporation shall be circular in form and shall contain the name of the

Corporation, the year of incorporation, and the words "Maryland" and "Corporate Seal."

Section 8.02. Fiscal Year. The Board of Directors shall have power to fix, and from time to time to change, the fiscal year of the Corporation. The fiscal year of the Corporation initially shall be the calendar year.

Section 8.03. Stock Ledger. The Corporation shall maintain in its principal office a stock ledger which contains: (1) the name and address of each

-10-

12

stockholder; and (2) the number of shares of stock of each class which the stockholder holds. The stock ledger shall at all times be conclusive evidence of the ownership of all outstanding shares of stock of the Corporation, and the registered holder shown on such ledger shall be the stockholder with respect to the shares allocated to such registered holder thereon for purposes of these By-laws and for all other purposes. The stock ledger may be in written form or in any other form which can be converted within a reasonable time into written form for visual inspection. There shall be made available upon request of any stockholder, in accordance with the General Laws of the State of Maryland, a record containing the number of shares of stock issued during a specified period not to exceed twelve (12) months and the consideration received by the Corporation for each such share.

Section 8.04. Books and Records. The Corporation shall keep accurate and complete: (1) books and records of its accounts and transactions; and (2) minutes of the proceedings of its stockholders and Board of Directors and of any executive or other committee when exercising any of the powers of the Board of Directors. The books and records of the Corporation may be in written form or in any other form which can be converted within a reasonable time into written form for visual inspection. Minutes shall be recorded in written form but may be maintained in the form of a reproduction.

Section 8.05. Distributions. The Board of Directors may authorize, and the Corporation may make, distributions (including dividends on its outstanding shares) in the manner and upon the terms and conditions provided by applicable law and in the Articles of Incorporation.

ARTICLE 9  
INDEMNIFICATION, TRANSACTIONS  
WITH INTERESTED PERSONS

Section 9.01. Indemnification. The Corporation

shall, to the fullest extent permitted by Section 2-418 of the Maryland General Corporation Law as in effect from time to time, indemnify any person who is or was, or is the personal representative of a deceased person who was a Director or officer of the Corporation against any judgments, penalties, fines, settlements and reasonable expenses and any other liabilities, provided that, unless applicable law otherwise requires, indemnification shall be contingent upon a determination, by the Board of Directors by a majority vote of a quorum consisting of Directors not, at the time, parties to the proceeding, or, if such a quorum cannot be obtained, then by a majority vote of a committee of the Board of Directors consisting solely of two or more Directors not, at the time, parties to such proceeding and who were duly designated to act in the matter by a majority vote of the full Board in which the designated Directors who are parties may participate or by special legal counsel selected by and if directed by the Board of Directors as set forth above, that indemnification is proper in the circumstances because such Director, officer,

-11-

13

employee, or agent has met the applicable standard of conduct prescribed by Section 2-418(b) of the Maryland General Corporation Law.

Section 9.02. Transactions with Interested Persons. No contract or transaction between the Corporation and any of its Directors or officers, or between the Corporation and any other corporation, partnership, association, firm or other entity in which any of its Directors or officers is a director or officer or has a material financial interest, shall be void or voidable solely for that reason, or solely because the Director or officer is present at or participates in the meeting of the Board of Directors or committee thereof at which the contract or transaction is authorized, approved or ratified, if --

(a) the material facts as to his relationship or interest and as to the contract or transaction are disclosed or are known to the Board of Directors or the committee, and the Board of Directors or committee authorizes, approves or ratifies the contract or transaction by the affirmative vote of a majority or the disinterested Directors, even though the disinterested Directors constitute less than a quorum; or

(b) the material facts as to his relationship or interest and as the contract or transaction are disclosed or are known to the stockholders entitled to vote thereon, and the contract or transaction is specifically authorized, approved or ratified by a majority of the votes cast by the stockholders entitled to vote other than the votes

of the shares owned of record or beneficially by the interested Director, officer, corporation, firm or other entity.

No such contract or transaction shall be entered into by the Corporation unless the terms of the contract or transaction have been approved by action of the Board of Directors with the interested Director abstaining.

Section 9.03. Corporate Opportunity. Any Director or officer of the Corporation who simultaneously serves as a director, officer or employee of any other corporation, partnership, association, firm or other entity ("Other Company") shall refrain from communicating to such Other Company, and from using or otherwise acting on behalf of such Other Company, any information acquired solely as a result of his position as a Director or officer of the Corporation concerning any business opportunity under consideration by the Corporation for itself, Carr Realty, L.P. or any direct or indirect subsidiary of either. If the Other Company has independently learned about a business opportunity also under consideration by the Corporation, and if such Director or officer has not participated in the consideration of the opportunity by the Corporation, then such Director or officer may participate in the consideration of that

-12-

14

opportunity by such Other Company provided that such Director or officer abstains from all participation in the consideration of that opportunity by the Corporation unless and until such Other Company has concluded its consideration of such opportunity and determined not to pursue such opportunity further. If such Director or officer has participated or wishes to participate in the consideration of such an opportunity by the Corporation, then such Director or officer shall abstain from all participation in the consideration of the opportunity by the Other Company unless and until the Corporation has concluded its consideration of such opportunity and determined not to pursue the opportunity further. In connection with the foregoing, each such Director and officer shall be afforded a reasonable opportunity to make a judgment whether he will participate with the Corporation in the consideration of any such business opportunity, including without limitation, a reasonable time to determine whether any Other Company which such Director or officer serves has learned about any such business opportunity; provided, however, that in making such judgment such Director or officer shall not have taken (or omitted to take) any action inconsistent with the first sentence of this Section 9.03. No such Director or officer shall be deemed to have participated in the consideration of any business opportunity by the Corporation unless and until such Director or officer has been afforded a reasonable opportunity to make such judgment and decision. The provisions of this Section 9.03 are in addition to any other restrictions imposed by law or otherwise.

ARTICLE 10  
NOTICES

Section 10.01. Notice. Whenever notice, is required or permitted by these By-laws to be given to any person, it may be either (a) oral and communicated in person, by telephone, or by radio, television, or other form of voice communication, effective upon receipt by the person, or (b) in writing and communicated by being delivered by hand, by mail, or by telegraph, teletype, or other form of record communication, effective upon receipt by the person or, if earlier, upon delivery at his address as registered in the records of the Corporation for purposes of notice-giving ("notice address"); provided that (1) notice of a meeting of the stockholders shall be in writing, and (2) a written notice, if mailed postpaid and correctly addressed to a person at his notice address shall be effective three business days after its deposit by the sender in the United States mail.

Section 10.02. Waiver. Whenever any notice is required to be given under the provisions of law of the Articles of Incorporation or of these By-laws, a waiver thereof in writing, signed by the person or persons entitled to the notice, whether before or after the time stated therein, shall be deemed equivalent thereto. Attendance at a meeting of which notice is required shall be deemed waiver of such notice unless such attendance is for the purpose of objecting, at the beginning of the meeting, to the transaction of business on the ground that the meeting is now lawfully called or convened.

-13-

15

ARTICLE 11  
AMENDMENT

These By-laws may be amended or repealed, or new By-laws may be adopted, by the stockholders at any meeting of the stockholders, or by the Board of Directors at any meeting of the Board of Directors or pursuant to Section 4.12 of these By-laws; provided that the Board of Directors may not amend or repeal this Article, Article 9.02 or Article 9.03 or any part of these By-laws that has been adopted by the stockholders subject to the express condition that it may not be amended or repealed except by holders of a majority of the issued and outstanding shares of Common Stock.

16

The undersigned, being the Secretary of Carr Realty Corporation, hereby certifies the foregoing to be the Amendment and Restatement of the By-laws of that Corporation duly adopted by the Board of Directors as of the 5th day of February, 1993.

Date: February 5, 1993

/s/ JOSEPH D. WALLACE

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Joseph D. Wallace  
Secretary

17

AMENDMENTS TO BY-LAWS - Adopted at February 26, 1993 Board Meeting

Section 3.01: Insert "after 1993" after the words "each year" in the first sentence.

Delete the requirement that the meeting be held between May 1 and May 31

Reads in its entirety as follows:

Section 3.01. Annual Meeting. The annual meeting of the stockholders shall be held each year after 1993 on such date and at such time as the Board of Directors designates. At each annual meeting, the stockholders shall elect the members of the Board of Directors and transact such other business as may be properly brought before the meeting.

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Section 4.03. Delete "Serve for the balance of the term of the director he or she is replacing and until his or her successor is elected and qualifies" in the second sentence and replace them with "hold office until the next annual

meeting of the Corporation, at which time a successor shall be elected to fill the remaining term of the position filled by such director".

Reads in its entirety as follows:

Section 4.03. Vacancies: Whenever between annual meetings of the stockholders any vacancy exists in the Board of Directors by reason of death, resignation, removal, or increase in the authorized number of Directors, or otherwise, it may be filled by vote of a majority of the Directors in office. A director elected by the Board of Directors to fill a vacancy shall hold office until the next annual meeting of the Corporation; at which time a successor shall be elected to fill the remaining term of the position filled by such director.

-16-

18

PURSUANT TO THE AUTHORIZATION OF THE BOARD OF DIRECTORS AT ITS APRIL 28, 1995 MEETING, THE FOLLOWING SECTION 3.11 IS ADDED TO THE AMENDED AND RESTATED BY-LAWS:

"Section 3.11. Nominations and Stockholder Business

(a) Annual Meeting of Stockholders

(1) With respect to an annual meeting of stockholders, nominations of persons for election to the Board of Directors and the proposal of business to be considered by the stockholders may be made only (i) by or at the direction of the Board of Directors or (ii) by any stockholder of the Corporation who was a stockholder of record at the time of giving notice of such nomination, who is entitled to vote at the meeting and who complied with the notice procedures set forth in this Section 3.11(a).

(2) For nominations or other business to be properly brought before an annual meeting by a stockholder pursuant to clause (ii) of paragraph (a) (1) of this Section 3.11, the stockholder must have given timely notice thereof in writing to the Secretary of the Corporation. To be timely, a stockholder's notice shall be delivered to the Secretary at the principal executive offices of the Corporation not less than 60 days nor more than 90 days prior to the first anniversary of the preceding year's annual meeting; provided, however, that in the event that the date of the annual meeting is advanced by more than 30 days or delayed by more than 60 days from such anniversary date, notice by the stockholder to be timely must be so



delivered not earlier than the 90th day prior to such annual meeting and not later than the close of business on the later of the 60th day prior to such annual meeting or the tenth day following the day on which public announcement of the date of such meeting is first made. Such stockholder's notice shall set forth: (i) as to each person whom the stockholder proposes to nominate for election or reelection as a director all information relating to such person that is required to be disclosed in solicitations of proxies for election of directors, or is otherwise required, in each case pursuant to Regulation 14A under the Securities Exchange Act of 1934, as amended (including such person's written consent to being named in the proxy statement as a nominee and to serving as a director if elected); (ii) as to any other business that the stockholder proposed to bring before the meeting, the reasons for conducting such business at the meeting and any material interest in such business of such stockholder and of the beneficial owner, if any, on whose behalf the proposal is made; and (iii) as to the stockholder giving notice and the beneficial owner, if any, on whose behalf the nomination or proposal is made, the name and address of such stockholder, as they appear on the Corporation's books and of such beneficial owner and the class and number of shares of the Corporation which are

-17-

19

owned beneficially and of record by such stockholder and such beneficial owner.

(3) Notwithstanding anything in the second sentence of Section 3.11(a)(2) to the contrary, in the event that the number of directors to be elected to the Board of Directors is increased and there is no public announcement naming all of the nominees for director or specifying the size of the increased Board of Directors made by the Corporation at least 70 days prior to the first anniversary of the preceding year's annual meeting, a stockholder's notice required by this Section 3.11(a) shall also be considered timely, but only with respect to nominees for any new positions created by such increase, if it shall be delivered to the Secretary at the principal executive offices of the Corporation not later than the close of business on the tenth day following the day on which such public announcement is first made by the Corporation.

(b) Special Meetings of Stockholders. Only such business shall be conducted at a special meeting of stockholders as shall have been brought before the meeting pursuant to the Corporation's notice of meeting. Nominations of persons for election to the Board of Directors may be made at a special meeting of stockholders at which

directors are to be elected pursuant to the Corporation's notice of meeting (i) by or at the direction of the Board of Directors or (ii) provided that the Board of Directors has determined that directors shall be elected at such special meeting, by any stockholder of the Corporation who is a stockholder of record at the time of giving of notice provided for in this Section 3.11(b), who is entitled to vote at the meeting and who complied with the notice procedures set forth in this Section 3.11(b). In the event the Corporation calls a special meeting of stockholders for the purpose of electing one or more directors to the Board of Directors, any such stockholder may nominate a person or persons (as the case may be) for election to such position as specified in the Corporation's notice of meeting, if the stockholder's notice complies with the requirements of Section 3.11(a)(2) and is delivered to the Secretary at the principal executive offices of the Corporation not earlier than the 90th day to such special meeting and not later than the close of business on the late of the 60th day prior to such special meeting or the tenth day following the day on which public announcement is first made of the date of the special meeting and of the nominees proposed by the directors to be elected at such meeting.

(c) General

(1) Only such persons who are nominated in accordance with the procedures set forth in Section 3.11 shall be eligible to serve as directors and only such business shall be conducted at a meeting of stockholders as shall have been brought before the meeting in accordance with the procedures set

-18-

20

forth in this Section 3.11. The presiding officer of the meeting shall have the power and duty to determine whether a nomination or any business proposed to be brought before the meeting was made in accordance with the procedures set forth in this Section 3.11 and, if any proposed nomination or business is not in compliance with this Section 3.11, to declare that such defective nomination or proposal be disregarded.

(2) For purposes of this Section 3.11, "public announcement" shall mean disclosure in a press release reported by the Dow Jones News Service, Associated Press or comparable news service or in a document publicly filed by the Corporation with the Securities and Exchange Commission pursuant to Section 13, 14 or 15(d) of the Securities Exchange Act of 1934, as amended (the "Exchange Act").

(3) Notwithstanding the foregoing provisions of this Section 3.11, a stockholder shall also comply with all applicable requirements of state law and of the Exchange Act and the rules and regulations thereunder with respect to the matters set forth in this Section 3.11. Nothing in this Section 3.11 shall be deemed to affect any rights of stockholder to request inclusion of proposals in the Corporation's proxy statement pursuant to Rule 14a-8 under the Exchange Act."

-19-

21

BY AMENDMENT

APPROVED BY THE BOARD OF DIRECTORS  
ON JUNE 29, 1995

DELETE existing Section 4.10.

INSERT In Lieu Thereof:

Section 4.10. Quorum. The presence of a majority or more of the number of Directors fixed by Section 4.02(a) shall be necessary to constitute a quorum of the transaction of business at a meeting of the Board of Directors; provided, however, that if any one (1) or more of the Directors recuse themselves from consideration of a particular matter or matters at a meeting of the Board of Directors, the presence of a majority or more of (i) the number of Directors fixed by Section 4.02(a), less (ii) the number of Directors who have so recused themselves, shall be sufficient to constitute a quorum for the transaction of business at such meeting of the Board of Directors; provided further, however, that in no event shall the number of Directors sufficient to constitute a quorum for the transaction of business at a meeting of the Board of Directors be less than one-third of the number of Directors fixed by Section 4.02(a). If less than a quorum is present, a majority of the Directors present may from time to time adjourn the meeting to another place until a quorum is present, whereupon the meeting may be held, as adjourned, without further notice.

22

BY-LAW AMENDMENT

APPROVED BY THE BOARD OF DIRECTORS  
ON JULY 28, 1995

AMEND THE LAST SENTENCE OF SECTION 3.05:

Add at the end of such sentence the phrase "to the Board of Directors", so that the last sentence of Section 3.05 shall read in its entirety as follows:

"At each meeting of stockholders, a true, full and complete list of all stockholders entitled to vote at each meeting, showing the number and class of shares held by each and certified by the transfer agent for such class or by the Secretary, shall be furnished by the Secretary to the Board of Directors.

23

BY-LAW AMENDMENT

Approved by the Board of Directors  
on January 26, 1996

Article 11 of the By-Laws, Article 3, Section 3.01 of the By-Laws is amended to read in its entirety as follows:

"Section 3.01. Annual Meeting. The annual meeting of the stockholders shall be held each year between June 1 and July 1 on such date at such time as the Board of Directors designates. At each annual meeting, the stockholders shall elect the members of the Board of Directors and transact such other business as may be properly brought before the meeting."

24

BY-LAW AMENDMENT

APPROVED BY THE BOARD OF DIRECTORS  
ON APRIL 26, 1996

RESOLVED, in accordance with Article 11 of the By-laws of the Corporation, Section 4.02(a) of the By-laws of the Corporation is hereby amended to increase the size of the Board of Directors to twelve members.

25

BY-LAW AMENDMENT

APPROVED BY THE BOARD OF DIRECTORS  
AT NOVEMBER 3, 1995 MEETING  
EFFECTIVE ON APRIL 30, 1996

Article 1 is amended to read in its entirety as follows:

"ARTICLE 1

The name of the Corporation is: CarrAmerica Realty Corporation"

EXHIBIT 3.3

Third Amended and Restated Agreement  
of Limited Partnership of Carr Realty, L.P., dated as of March 5, 1996.

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THIRD AMENDED AND RESTATED AGREEMENT OF LIMITED PARTNERSHIP

OF

CARR REALTY, L.P.

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Dated as of March 5, 1996

TABLE OF CONTENTS

<TABLE>

<S>

ARTICLE 1	DEFINED TERMS	1
ARTICLE 2	ORGANIZATIONAL MATTERS	13
Section 2.1	Organization	13
Section 2.2	Name	14
Section 2.3	Registered Office and Agent; Principal Office	14
Section 2.4	Power of Attorney	14
Section 2.5	Term	16

ARTICLE 3 PURPOSE . . . . .	16
Section 3.1 Purpose and Business . . . . .	16
Section 3.2 Powers . . . . .	16
ARTICLE 4 CAPITAL CONTRIBUTIONS . . . . .	17
Section 4.1 Capital Contributions of the Partners . . . . .	17
Section 4.2 Issuances of Additional Partnership Interests . . . . .	17
Section 4.3 No Preemptive Rights . . . . .	20
ARTICLE 5 DISTRIBUTIONS . . . . .	20
Section 5.1 Requirement and Characterization of Distributions . . . . .	20
Section 5.2 Guaranteed Payment . . . . .	23
Section 5.3 Amounts Withheld . . . . .	23
Section 5.4 Distributions Upon Liquidation . . . . .	23
ARTICLE 6 ALLOCATIONS . . . . .	24
Section 6.1 Allocations For Capital Account Purposes . . . . .	24
ARTICLE 7 MANAGEMENT AND OPERATIONS OF BUSINESS . . . . .	25
Section 7.1 Management . . . . .	25
Section 7.2 Certificate of Limited Partnership . . . . .	28
Section 7.3 Restrictions on General Partner's Authority . . . . .	28
Section 7.4 Reimbursement of the General Partner . . . . .	29
Section 7.5 Outside Activities of the General Partner . . . . .	29
Section 7.6 Contracts with Affiliates . . . . .	31
Section 7.7 Indemnification . . . . .	31
Section 7.8 Liability of the General Partner . . . . .	33
Section 7.9 Other Matters Concerning the General Partner . . . . .	34
Section 7.10 Title to Partnership Assets . . . . .	34
Section 7.11 Reliance by Third Parties . . . . .	35
Section 7.12 Partnership Operations . . . . .	35

</TABLE>

<TABLE>	
<S>	<C>
ARTICLE 8 RIGHTS AND OBLIGATIONS OF LIMITED PARTNERS . . . . .	36
Section 8.1 Limitation of Liability . . . . .	36
Section 8.2 Management of Business . . . . .	36
Section 8.3 Outside Activities of Limited Partners . . . . .	36
Section 8.4 Return of Capital . . . . .	37
Section 8.5 Rights of Limited Partners Relating to the Partnership . . . . .	37
Section 8.6 Redemption Right . . . . .	38
ARTICLE 9 BOOKS, RECORDS, ACCOUNTING AND REPORTS . . . . .	39
Section 9.1 Records and Accounting . . . . .	39
Section 9.2 Fiscal Year . . . . .	39
Section 9.3 Reports . . . . .	40
ARTICLE 10 TAX MATTERS . . . . .	40
Section 10.1 Preparation of Tax Returns . . . . .	40
Section 10.2 Tax Elections . . . . .	40
Section 10.3 Tax Matters Partner . . . . .	41
Section 10.4 Organizational Expenses . . . . .	42
Section 10.5 Withholding . . . . .	42
ARTICLE 11 TRANSFERS AND WITHDRAWALS . . . . .	43

Section 11.1	Transfer . . . . .	43
Section 11.2	Transfer of General Partner's Partnership Interest . . . . .	44
Section 11.3	Limited Partners' Rights to Transfer . . . . .	44
Section 11.4	Substituted Limited Partners . . . . .	45
Section 11.5	Assignees . . . . .	46
Section 11.6	General Provisions . . . . .	46
ARTICLE 12 ADMISSION OF PARTNERS . . . . .		47
Section 12.1	Admission of Successor General Partner . . . . .	47
Section 12.2	Admission of Additional Limited Partners . . . . .	47
Section 12.3	Amendment of Agreement and Certificate of Limited Partnership . . . . .	48
ARTICLE 13 DISSOLUTION AND LIQUIDATION . . . . .		48
Section 13.1	Dissolution . . . . .	48
Section 13.2	Winding Up . . . . .	49
Section 13.3	Compliance with Timing Requirements of Regulations . . . . .	51
Section 13.4	Deemed Distribution and Recontribution . . . . .	51
Section 13.5	Rights of Limited Partners . . . . .	52
Section 13.6	Notice of Dissolution . . . . .	52
Section 13.7	Cancellation of Certificate of Limited Partnership . . . . .	52
Section 13.8	Reasonable Time for Winding-Up . . . . .	52

</TABLE>

<TABLE>		
<S>		
Section 13.9	Waiver of Partition . . . . .	53
ARTICLE 14 AMENDMENT OF PARTNERSHIP AGREEMENT; MEETINGS . . . . .		53
Section 14.1	Amendments . . . . .	53
Section 14.2	Meetings of the Partners . . . . .	54
ARTICLE 15 GENERAL PROVISIONS . . . . .		55
Section 15.1	Addresses and Notice . . . . .	55
Section 15.2	Titles and Captions . . . . .	55
Section 15.3	Pronouns and Plurals . . . . .	56
Section 15.4	Further Action . . . . .	56
Section 15.5	Binding Effect . . . . .	56
Section 15.6	Creditors . . . . .	56
Section 15.7	Waiver . . . . .	56
Section 15.8	Counterparts . . . . .	56
Section 15.9	Applicable Law . . . . .	57
Section 15.10	Invalidity of Provisions . . . . .	57
</TABLE>		

EXHIBIT A  
PARTNERS, CONTRIBUTIONS AND  
PARTNERSHIP INTERESTS

EXHIBIT B  
CAPITAL ACCOUNT MAINTENANCE



EXHIBIT C  
SPECIAL ALLOCATION RULES

EXHIBIT D  
VALUE OF CONTRIBUTED PROPERTY

EXHIBIT E  
NOTICE OF REDEMPTION

EXHIBIT F  
FORM OF UNIT CERTIFICATE

EXHIBIT G  
CLASS B UNITS

iii

6

THIRD AMENDED AND RESTATED AGREEMENT OF LIMITED PARTNERSHIP  
OF  
CARR REALTY, L.P.

THIS THIRD AMENDED AND RESTATED AGREEMENT OF LIMITED PARTNERSHIP, dated as of March 5, 1996, is entered into by and among Carr Realty Corporation ("Carr Realty"), a Maryland corporation, as the General Partner, and the Persons whose names are set forth on Exhibit A as attached hereto who have been admitted as limited partners in accordance with the provisions of the Agreement of Limited Partnership, dated as of October 16, 1992, as amended prior to the date hereof, as the Limited Partners, together with any other Persons who become Partners in the Partnership as provided herein.

NOW, THEREFORE, in consideration of the mutual covenants set forth herein, and for other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the parties hereto hereby agree to continue the Partnership as a limited partnership under the Delaware Revised Uniform Limited Partnership Act (6 Del. C. Section 17-101, et seq.), as amended from time to time (the "Act"), as follows:

ARTICLE 1  
DEFINED TERMS

The following definitions shall be for all purposes, unless otherwise clearly indicated to the contrary, applied to the terms used in this Agreement.

"Act" means the Delaware Revised Uniform Limited Partnership Act, as it may be amended from time to time, and any successor to such statute.

"Additional Limited Partner" means a Person admitted to the Partnership as a Limited Partner pursuant to Section 4.2 hereof and who is shown as such on the books and records of the Partnership.

"Adjusted Capital Account" means the Capital Account maintained for each Partner as of the end of each Partnership Year (i)

increased by any amounts which such Partner is obligated to restore pursuant to any provision of this Agreement or is deemed to be obligated to restore pursuant to the penultimate sentences of Regulations Sections 1.704-2(g)(1) and 1.704-2(i)(5) and (ii) decreased by the items described in Regulations Sections 1.704-1(b)(2)(ii)(d)(4), 1.704-1(b)(2)(ii)(d)(5), and 1.704-1(b)(2)(ii)(d)(6). The foregoing definition of Adjusted Capital Account is intended to comply with the provisions of Regulations Section 1.704-1(b)(2)(ii)(d) and shall be interpreted consistently therewith.

7

"Adjusted Capital Account Deficit" means, with respect to any Partner, the deficit balance, if any, in such Partner's Adjusted Capital Account as of the end of the relevant Partnership Year

"Adjusted Property" means any property the Carrying Value of which has been adjusted pursuant to Exhibit B hereof. Once an Adjusted Property is deemed distributed by, and recontributed to, the Partnership for federal income tax purposes upon a termination thereof pursuant to Section 708 of the Code, such property shall thereafter constitute a Contributed Property until the Carrying Value of such property is further adjusted pursuant to Exhibit B hereof.

"Affiliate" means, with respect to any Person, (i) any Person directly or indirectly controlling, controlled by or under common control with such Person, (ii) any Person owning or controlling ten percent (10%) or more of the outstanding voting interests of such Person, (iii) any Person of which such Person owns or controls ten percent (10%) or more of the voting interests, or (iv) any officer, director, general partner or trustee of such Person or any Person referred to in clauses (i), (ii), and (iii) above.

"Agreed Value" means (i) in the case of any Contributed Property set forth in Exhibit D and as of the time of its contribution to the Partnership, the Agreed Value of such property as set forth in Exhibit D, (ii) in the case of any Contributed Property not set forth in Exhibit D and as of the time of its contribution to the Partnership, the 704(c) Value of such property or other consideration, reduced by any liabilities either assumed by the Partnership upon such contribution or to which such property is subject when contributed, and (iii) in the case of any property distributed to a Partner by the Partnership, the Partnership's Carrying Value of such property at the time such property is distributed, reduced by any indebtedness either assumed by such Partner upon such distribution or to which such property is subject at the time of distribution as determined under Section 752 of the Code and the regulations thereunder.

"Agreement" means this Third Amended and Restated Agreement of Limited Partnership, as it may be amended, supplemented or restated from time to time.

"Articles of Incorporation" means the Articles of Incorporation of the General Partner filed in the State of Maryland on July 9, 1992, as amended or restated from time to time.

"Assignee" means a Person to whom one or more Partnership Units have been transferred in a manner permitted under this Agreement, but who has not become a Substituted Limited Partner, and who has the rights set forth in Section 11.5.

"Available Cash" means, with respect to any period for which such calculation is being made, (i) the sum of:

(a) the Partnership's Net Income or Net Loss (as the case may be) for such period, taking into account all Guaranteed Payments deducted with respect to such period (without regard to adjustments resulting from allocations described in Sections 1.A-E of Exhibit C),

(b) Depreciation and all other noncash charges deducted in determining Net Income or Net Loss for such period,

(c) the amount of any reduction in reserves of the Partnership referred to in clause (ii)(f) below (including, without limitation, reductions resulting because the General Partner determines such amounts are no longer necessary),

(d) the excess of proceeds from the sale, exchange, disposition, or refinancing of Partnership property for such period over the gain (or loss, as the case may be) recognized from such sale, exchange, disposition, or refinancing during such period (excluding Terminating Capital Transactions), and

(e) all other cash received by the Partnership for such period that was not included in determining Net Income or Net Loss for such period;

(ii) less the sum of:

(a) all principal debt payments made during such period by the Partnership,

(b) capital expenditures made by the Partnership during such period,

(c) investments in any entity (including loans made thereto) to the extent that such investments are not otherwise described in clauses (ii)(a) or (b),

(d) all other expenditures and payments not deducted in determining Net Income or Net Loss for such period,

(e) any amount included in determining Net Income or Net Loss for such period that was not received by the Partnership during such period, and

(f) the amount of any increase in reserves established during such period which the General Partner determines are necessary or appropriate in its sole and absolute discretion.

Notwithstanding the foregoing, Available Cash shall not include any cash received or reductions in reserves, or take into account any disbursements made or reserves established, after commencement of the dissolution and liquidation of the Partnership.

"Book-Tax Disparities" means, with respect to any item of Contributed Property or Adjusted Property, as of the date of any determination, the difference between the Carrying Value of such Contributed Property or Adjusted Property and the adjusted basis thereof for federal income tax purposes as of such date. A Partner's share of the Partnership's Book-Tax Disparities in all of its Contributed Property and Adjusted Property will be reflected by the difference between such Partner's Capital Account balance as maintained pursuant to Exhibit B and the hypothetical balance of such Partner's Capital Account computed as if it had been maintained strictly in accordance with federal income tax accounting principles.

"Business Day" means any day except a Saturday, Sunday or other day on which commercial banks in New York, New York are authorized or required by law to close.

"Capital Account" means the Capital Account maintained for a Partner pursuant to Exhibit B hereof.

"Capital Contribution" means, with respect to any Partner, any cash, cash equivalents or the Agreed Value of Contributed Property which such Partner contributes or is deemed to contribute to the Partnership pursuant to Section 4.1 or 4.2 hereof.

"Carrying Value" means (i) with respect to a Contributed Property or Adjusted Property, the 704(c) Value of such property reduced (but not below zero) by all Depreciation with respect to such Property charged to the Partners' Capital Accounts and (ii) with respect to any other Partnership property, the adjusted basis of such property for federal income tax purposes, all as of the time of determination. The Carrying Value of any property shall be adjusted from time to time in accordance with Exhibit B hereof, and to reflect changes, additions or other adjustments to the Carrying Value for dispositions and acquisitions of Partnership properties, as deemed appropriate by the General Partner.

"Cash Amount" means an amount of cash per Partnership Unit equal to the Value on the Valuation Date of the REIT Shares Amount.

- 4 -

"Certificate" means the Certificate of Limited Partnership relating to the Partnership filed in the office of the Delaware Secretary of State, as amended from time to time in accordance with the terms hereof and the Act.

"Class A" means the Partners who are holders of Class A Units.

"Class A Share" means that portion of Available Cash for a Distribution Period to be distributed with respect to Class A as determined by multiplying the amount of Available Cash for such Distribution Period by the fraction set forth in Section 5.1.B.1 hereof.

"Class A Unit" means a Partnership Unit other than a Class B Unit or any other Partnership Unit that is specifically designated by the General Partner pursuant to Section 4.2 as being of another class of Partnership Units.

"Class B Unit" means a Partnership Unit with such designations, preferences, rights, powers and duties as are described in Exhibit G.

"Class C" means the Partners who are holders of Class C Units.

"Class C Share" means that portion of Available Cash for a Distribution Period to be distributed with respect to Class C as determined by multiplying the amount of Available Cash for such Distribution Period by the fraction set forth in Section 5.1.B.2 hereof (as such fraction may be adjusted in accordance with Section 5.1.B hereof).

"Class C Unit" means a Partnership Unit with such designations, preferences, rights, powers and duties as are described in or pursuant to Section 4.2.F hereof.

"Code" means the Internal Revenue Code of 1986, as amended and in effect from time to time, as interpreted by the applicable regulations thereunder. Any reference herein to a specific section or sections of the Code shall be deemed to include a reference to any corresponding provision of future law.

"Consent" means the consent or approval of a proposed action by a Partner given in accordance with Section 14.2 hereof.

"Contributed Property" means each property or other asset, in such form as may be permitted by the Act, but excluding cash contributed or deemed contributed to the Partnership (or deemed contributed to the Partnership on termination and reconstitution thereof pursuant to Section 708 of the Code). Once the Carrying Value of a Contributed Property is adjusted pursuant to Exhibit B hereof, such property shall no longer constitute a Contributed Property for purposes of Exhibit B hereof, but shall be deemed an Adjusted Property for such purposes.

"Conversion Factor" means 1.0, provided that in the event that the General Partner (i) declares or pays a dividend on its outstanding REIT Shares in REIT Shares or makes a distribution to all holders of its outstanding REIT Shares in REIT Shares, (ii) subdivides its outstanding REIT Shares, or (iii) combines its outstanding REIT Shares into a smaller number of REIT Shares, the Conversion Factor shall be adjusted by multiplying the Conversion Factor by a fraction, the numerator of which shall be the number of REIT Shares issued and outstanding on the record date (assuming for such purposes that such

dividend, distribution, subdivision or combination has occurred as of such time), and the denominator of which shall be the actual number of REIT Shares (determined without the above assumption) issued and outstanding on the record date for such dividend, distribution, subdivision or combination. Any adjustment to the Conversion Factor shall become effective immediately after the effective date of such event retroactive to the record date, if any, for such event.

"Debt" means, as to any Person, as of any date of determination, (i) all indebtedness of such Person for borrowed money or for the deferred purchase price of property or services, (ii) all amounts owed by such Person to banks or other Persons in respect of reimbursement obligations under letters of credit, surety bonds and other similar instruments guaranteeing payment or other performance of obligations by such Person, (iii) all indebtedness for borrowed money or for the deferred purchase price of property or services secured by any lien on any property owned by such Person, to the extent attributable to such Person's interest in such property, even though such Person has not assumed or become liable for the payment thereof, and (iv) lease obligations of such Person which, in accordance with generally accepted accounting principles, should be capitalized.

"Depreciation" means, for each fiscal year, an amount equal to the federal income tax depreciation, amortization, or other cost recovery deduction allowable with respect to an asset for such year, except that if the Carrying Value of an asset differs from its adjusted basis for federal income tax purposes at the beginning of such year or other period, Depreciation shall be an amount which bears the same ratio to such beginning Carrying Value as the federal income tax depreciation, amortization, or other cost recovery deduction for such year bears to such beginning adjusted tax basis; provided, however, that if the federal income tax depreciation, amortization, or other cost recovery deduction for such year is zero, Depreciation shall be determined with reference to such beginning Carrying Value using any reasonable method selected by the General Partner.

"Distribution Period" means any calendar quarter or shorter period with respect to which a distribution of Available Cash is to be made to the Partners by the Partnership.

"Effective Date" means February 16, 1993.

- 6 -

12

"General Partner" means Carr Realty or its successors as general partner of the Partnership.

"General Partner Interest" means a Partnership Interest held by the General Partner that is a general partnership interest. A General Partner Interest may be expressed as a number of Partnership Units.

"Guaranteed Payment" means, with respect to each Partner holding Class A Units, an amount equal to the product of (x) twenty-five cents (\$0.25) and (y) the number of Class A Units held as of the Partnership Record Date by the Partner to whom a Guaranteed Payment is being made pursuant to Section 5.2. "Guaranteed Payment" means, with respect to each Partner holding Class C Units, an amount equal to the product of (x) twenty-five cents (\$0.25), (y) the number of Class C Units held as of the Partnership Record Date by the Partner to whom a Guaranteed Payment is being made pursuant to Section 5.2, and

(z) a fraction, the numerator of which is equal to the number of days in the calendar quarter to which the Partnership Record Date relates for which the Class C Units held by such Partner were issued and outstanding and the denominator of which is the number of days in such calendar quarter. In the event that Class C Units which have been issued on different dates are outstanding on the last day of a calendar quarter, then the Class C Units issued on each particular date shall be treated as a separate series of Partnership Units for purposes of determining the amount of the Guaranteed Payment (and the formula set forth in the preceding sentence shall be modified for each separate series of Class C Units).

"IRS" means the Internal Revenue Service, which administers the internal revenue laws of the United States.

"Immediate Family" means, with respect to any natural Person, such natural Person's spouse, parents, descendants, nephews, nieces, brothers, and sisters.

"Incapacity" or "Incapacitated" means, (i) as to any individual Partner, death, total physical disability or entry by a court of competent jurisdiction adjudicating him incompetent to manage his Person or his estate, (ii) as to any corporation which is a Partner, the filing of a certificate of dissolution, or its equivalent, for the corporation or the revocation of its charter, (iii) as to any partnership which is a Partner, the dissolution and commencement of winding up of the partnership, (iv) as to any estate which is a Partner, the distribution by the fiduciary of the estate's entire interest in the Partnership, (v) as to any trustee of a trust which is a Partner, the termination of the trust (but not the substitution of a new trustee), or (vi) as to any Partner, the bankruptcy of such Partner. For purposes of this definition, bankruptcy of a Partner shall be deemed to have occurred when (a) the Partner commences a voluntary proceeding seeking liquidation, reorganization or other relief under any bankruptcy, insolvency or

- 7 -

13

other similar law now or hereafter in effect, (b) the Partner is adjudged as bankrupt or insolvent, or a final and nonappealable order for relief under any bankruptcy, insolvency or similar law now or hereafter in effect has been entered against the Partner, (c) the Partner executes and delivers a general assignment for the benefit of the Partner's creditors, (d) the Partner files an answer or other pleading admitting or failing to contest the material allegations of a petition filed against the Partner in any proceeding of the nature described in clause (b) above, (e) the Partner seeks, consents to or acquiesces in the appointment of a trustee, receiver or liquidator for the Partner or for all or any substantial part of the Partner's properties, (f) any proceeding seeking liquidation, reorganization or other relief under any bankruptcy, insolvency or other similar law now or hereafter in effect has not been dismissed within one hundred twenty (120) days after the commencement thereof, (g) the appointment without the Partner's consent or acquiescence of a trustee, receiver or liquidator has not been vacated or stayed within ninety (90) days of such appointment, or (h) an appointment referred to in clause (g) is not vacated within ninety (90) days after the expiration of any such stay.

"Indemnatee" means (i) any Person made a party to a proceeding by reason of his status as (A) the General Partner or (B) a director or officer of the Partnership or the General Partner, and (ii) such other Persons (including Affiliates of the General Partner or the Partnership) as the General

Partner may designate from time to time, in its sole and absolute discretion.

"Limited Partner" means any Person named as a Limited Partner in Exhibit A attached hereto, as such Exhibit may be amended from time to time, or any Substituted Limited Partner or Additional Limited Partner, in such Person's capacity as a Limited Partner in the Partnership.

"Limited Partnership Interest" means a Partnership Interest of a Limited Partner in the Partnership representing a fractional part of the Partnership Interests of all Limited Partners and includes any and all benefits to which the holder of such a Partnership Interest may be entitled as provided in this Agreement, together with all obligations of such Person to comply with the terms and provisions of this Agreement. A Limited Partnership Interest may be expressed as a number of Partnership Units.

"Liquidator" has the meaning set forth in Section 13.2.

"Net Income" means, for any taxable period, the excess, if any, of the Partnership's items of income and gain for such taxable period over the Partnership's items of loss and deduction for such taxable period. The items included in the calculation of Net Income shall be determined in accordance with Exhibit B. Once an item of income, gain, loss or deduction that has been included in the initial computation of Net Income is subjected to the special allocation rules

- 8 -

14

in Exhibit C, Net Income or the resulting Net Loss, whichever the case may be, shall be recomputed without regard to such item.

"Net Loss" means, for any taxable period, the excess, if any, of the Partnership's items of loss and deduction for such taxable period over the Partnership's items of income and gain for such taxable period. The items included in the calculation of Net Loss shall be determined in accordance with Exhibit B. Once an item of income, gain, loss or deduction that has been included in the initial computation of Net Loss is subjected to the special allocation rules in Exhibit C, Net Loss or the resulting Net Income, whichever the case may be, shall be recomputed without regard to such item.

"Nonrecourse Built-in Gain" means, with respect to any Contributed Properties or Adjusted Properties that are subject to a mortgage or negative pledge securing a Nonrecourse Liability, the amount of any taxable gain that would be allocated to the Partners pursuant to Section 2.B of Exhibit C if such properties were disposed of in a taxable transaction in full satisfaction of such liabilities and for no other consideration.

"Nonrecourse Deductions" has the meaning set forth in Regulations Section 1.704-2(b)(1), and the amount of Nonrecourse Deductions for a Partnership Year shall be determined in accordance with the rules of Regulations Section 1.704-2(c).

"Nonrecourse Liability" has the meaning set forth in Regulations Section 1.752-1(a)(2).

"Notice of Redemption" means the Notice of Redemption substantially in the form of Exhibit E to this Agreement.



"Original Limited Partner" means a Limited Partner who became a limited partner on the Effective Date, and who owns one or more Original Limited Partnership Units on the date action is called for under Section 13.1.

"Original Limited Partnership Unit" means a Partnership Unit acquired by a Limited Partner on the Effective Date, and held by such Original Limited Partner on the date action is called for under Section 13.1.

"Partner" means a General Partner or a Limited Partner, and "Partners" means the General Partner and the Limited Partners.

"Partner Minimum Gain" means an amount, with respect to each Partner Nonrecourse Debt, equal to the Partnership Minimum Gain that would result if such Partner Nonrecourse Debt were treated as a Nonrecourse Liability, determined in accordance with Regulations Section 1.704-2(i)(3).

- 9 -

15

"Partner Nonrecourse Debt" has the meaning set forth in Regulations Section 1.704-2(b)(4).

"Partner Nonrecourse Deductions" has the meaning set forth in Regulations Section 1.704-2(i)(2), and the Amount of Partner Nonrecourse Deductions with respect to a Partner Nonrecourse Debt for a Partnership Year shall be determined in accordance with the rules of Regulations Section 1.704-2(i)(2).

"Partnership" means the limited partnership formed under the Act and continued pursuant to this Agreement, and any successor thereto.

"Partnership Interest" means an ownership interest in the Partnership representing a Capital Contribution by either a Limited Partner or the General Partner and includes any and all benefits to which the holder of such a Partnership Interest may be entitled as provided in this Agreement, together with all obligations of such Person to comply with the terms and provisions of this Agreement. A Partnership Interest may be expressed as a number of Partnership Units.

"Partnership Minimum Gain" has the meaning set forth in Regulations Section 1.704-2(b)(2), and the amount of Partnership Minimum Gain, as well as any net increase or decrease in Partnership Minimum Gain, for a Partnership Year shall be determined in accordance with the rules of Regulations Section 1.704-2(d).

"Partnership Record Date" means the record date established by the General Partner for the distribution of Available Cash pursuant to Section 5.1 hereof or Guaranteed Payments pursuant to Section 5.2 hereof, which record date shall be the same as the record date established by the General Partner for a distribution to its shareholders of some or all of its portion of such distribution.

"Partnership Unit" means a fractional, undivided share of the Partnership Interests of all Partners issued pursuant to Sections 4.1 and 4.2. The number of Partnership Units outstanding and the Percentage Interests in the Partnership represented by such Partnership Units are set forth in Exhibit A hereto, as such Exhibit may be amended from time to time. The ownership of Partnership Units is evidenced by the form of certificate for units attached

hereto as Exhibit F.

"Partnership Year" means the fiscal year of the Partnership, which shall be the calendar year.

"Percentage Interest" means, as to a Partner, its interest in the Partnership as determined by dividing the Partnership Units owned by such Partner by the total number of Partnership Units then outstanding and as specified in Exhibit A attached hereto, as such Exhibit may be amended from time to time.

- 10 -

16

"Person" means an individual or a corporation, partnership, trust, unincorporated organization, association or other entity.

"Recapture Income" means any gain recognized by the Partnership (computed without regard to any adjustment required by Section 734 or 743 of the Code) upon the disposition of any property or asset of the Partnership, which gain is characterized as ordinary income because it represents the recapture of deductions previously taken with respect to such property or asset.

"Redeeming Partner" has the meaning set forth in Section 8.6 hereof.

"Redemption Amount" means either the Cash Amount or the REIT Shares Amount, as determined by the General Partner in its sole and absolute discretion. A Redeeming Partner shall have no right, without the General Partner's consent, to receive the Redemption Amount in the form of the REIT Shares Amount.

"Redemption Right" shall have the meaning set forth in Section 8.6 hereof.

"Regulations" means the Income Tax Regulations promulgated under the Code, as such regulations may be amended from time to time (including corresponding provisions of succeeding regulations).

"REIT" means a real estate investment trust under Section 856 of the Code.

"REIT Share" shall mean a share of common stock of the General Partner.

"REIT Shares Amount" shall mean a number of REIT Shares equal to the product of the number of Partnership Units offered for redemption by a Redeeming Partner, multiplied by the Conversion Factor; provided that in the event the General Partner issues to all holders of REIT Shares rights, options, warrants or convertible or exchangeable securities entitling the shareholders to subscribe for or purchase REIT Shares, or any other securities or property (collectively, the "rights") then the REIT Shares Amount shall also include such rights that a holder of that number of REIT Shares would be entitled to receive.

"Residual Gain" or "Residual Loss" means any item of gain or loss, as the case may be, of the Partnership recognized for federal income tax

purposes resulting from a sale, exchange or other disposition of Contributed Property or Adjusted Property, to the extent such item of gain or loss is not allocated pursuant to Section 2.B.1(a) or 2.B.2(a) of Exhibit C to eliminate Book-Tax Disparities.

- 11 -

17

"704(c) Value" of any Contributed Property means the value of such property as set forth in Exhibit D, or if no value is set forth in Exhibit D, the fair market value of such property or other consideration at the time of contribution as determined by the General Partner using such reasonable method of valuation as it may adopt; provided, however, that the 704(c) Value of any property deemed contributed to the Partnership for federal income tax purposes upon termination and reconstitution thereof pursuant to Section 708 of the Code shall be determined in accordance with Exhibit B hereof. Subject to Exhibit B hereof, the General Partner shall, in its sole and absolute discretion, use such method as it deems reasonable and appropriate to allocate the aggregate of the 704(c) Value of Contributed Properties in a single or integrated transaction among each separate property on a basis proportional to its fair market values.

"Specified Redemption Date" means the tenth Business Day after receipt by the General Partner of a Notice of Redemption; provided that no Specified Redemption Date shall occur before one (1) year from the Effective Date; provided further that if the General Partner combines its outstanding REIT Shares into a smaller number of REIT Shares, no Specified Redemption Date shall occur prior to the effective date of such combination.

"Subsidiary" means, with respect to any Person, any corporation or other entity of which a majority of (i) the voting power of the voting equity securities or (ii) the outstanding equity interests is owned, directly or indirectly, by such Person.

"Substituted Limited Partner" means a Person who is admitted as a Limited Partner to the Partnership pursuant to Section 11.4.

"Terminating Capital Transaction" means any sale or other disposition of all or substantially all of the assets of the Partnership or a related series of transactions that, taken together, result in the sale or other disposition of all or substantially all of the assets of the Partnership.

"Unrealized Gain" attributable to any item of Partnership property means, as of any date of determination, the excess, if any, of (i) the fair market value of such property (as determined under Exhibit B hereof) as of such date, over (ii) the Carrying Value of such property (prior to any adjustment to be made pursuant to Exhibit B hereof) as of such date.

"Unrealized Loss" attributable to any item of Partnership property means, as of any date of determination, the excess, if any, of (i) the Carrying Value of such property (prior to any adjustment to be made pursuant to Exhibit B hereof) as of such date, over (ii) the fair market value of such property (as determined under Exhibit B hereof) as of such date.

"Valuation Date" means the date of receipt by the General Partner of a Notice of Redemption or, if such date is not a Business Day, the first Business Day thereafter.

"Value" means, with respect to a REIT Share, the average of the daily market price for the ten (10) consecutive trading days immediately preceding the Valuation Date. The market price for each such trading day shall be: (i) if the REIT Shares are listed or admitted to trading on any securities exchange or the NASDAQ-National Market System, the closing price, regular way, on such day, or if no such sale takes place on such day, the average of the closing bid and asked prices on such day, (ii) if the REIT Shares are not listed or admitted to trading on any securities exchange or the NASDAQ-National Market System, the last reported sale price on such day or, if no sale takes place on such day, the average of the closing bid and asked prices on such day, as reported by a reliable quotation source designated by the General Partner, or (iii) if the REIT Shares are not listed or admitted to trading on any securities exchange or the NASDAQ-National Market System and no such last reported sale price or closing bid and asked prices are available, the average of the reported high bid and low asked prices on such day, as reported by a reliable quotation source designated by the General Partner, or if there shall be no bid and asked prices on such day, the average of the high bid and low asked prices, as so reported, on the most recent day (not more than ten (10) days prior to the date in question) for which prices have been so reported; provided that if there are no bid and asked prices reported during the ten (10) days prior to the date in question, the Value of the REIT Shares shall be determined by the General Partner acting in good faith on the basis of such quotations and other information as it considers, in its reasonable judgment, appropriate. In the event the REIT Shares Amount includes rights that a holder of REIT Shares would be entitled to receive, then the Value of such rights shall be determined by the General Partner acting in good faith on the basis of such quotations and other information as it considers, in its reasonable judgment, appropriate.

ARTICLE 2  
ORGANIZATIONAL MATTERS

SECTION 2.1 ORGANIZATION

The Partnership is a limited partnership organized pursuant to the provisions of the Act and upon the terms and conditions set forth in the Agreement of Limited Partnership, dated as of October 16, 1992, as amended prior to the date hereof. The Partners hereby continue the Partnership and amend and restate such Agreement of Limited Partnership, as amended prior to the date hereof, in its entirety. Except as expressly provided herein to the contrary, the rights and obligations of the Partners and the administration and termination of the

Partnership shall be governed by the Act. The Partnership Interest of each

Partner shall be personal property for all purposes.

SECTION 2.2 NAME

The name of the Partnership is Carr Realty, L.P. The Partnership's business may be conducted under any other name or names deemed advisable by the General Partner, including the name of the General Partner or any Affiliate thereof. The words "Limited Partnership," "L.P.," "Ltd." or similar words or letters shall be included in the Partnership's name where necessary for the purposes of complying with the laws of any jurisdiction that so requires. The General Partner in its sole and absolute discretion may change the name of the Partnership at any time and from time to time and shall notify the Limited Partners of such change in the next regular communication to the Limited Partners.

SECTION 2.3 REGISTERED OFFICE AND AGENT; PRINCIPAL OFFICE

The address of the registered office of the Partnership in the State of Delaware is located at 1209 Orange Street, Wilmington, Delaware, and the registered agent for service of process on the Partnership in the State of Delaware at such registered office is Corporation Trust Company. The principal office of the Partnership is 1700 Pennsylvania Avenue, N.W., Washington, D.C., or such other place as the General Partner may from time to time designate by notice to the Limited Partners. The Partnership may maintain offices at such other place or places within or outside the State of Delaware as the General Partner deems advisable.

SECTION 2.4 POWER OF ATTORNEY

A. Each Limited Partner and each Assignee constitutes and appoints the General Partner, any Liquidator, and authorized officers and attorneys-in-fact of each, and each of those acting singly, in each case with full power of substitution, as its true and lawful agent and attorney-in-fact, with full power and authority in its name, place and stead to:

- (1) execute, swear to, acknowledge, deliver, file and record in the appropriate public offices (a) all certificates, documents and other instruments (including, without limitation, this Agreement and the Certificate and all amendments or restatements thereof) that the General Partner or the Liquidator deems appropriate or necessary to form, qualify or continue the existence or qualification of the Partnership as a limited partnership (or a partnership in which the limited partners have limited liability) in the State of Delaware and in

all other jurisdictions in which the Partnership may conduct business or own property, (b) all instruments that the General Partner deems appropriate or necessary to reflect any amendment, change, modification or restatement of this Agreement in accordance with its terms, (c) all conveyances and other instruments or documents that the General Partner deems appropriate or necessary to reflect the

dissolution and liquidation of the Partnership pursuant to the terms of this Agreement, including, without limitation, a certificate of cancellation, (d) all instruments relating to the admission, withdrawal, removal or substitution of any Partner pursuant to, or other events described in, Article 11, 12 or 13 hereof or the Capital Contribution of any Partner, and (e) all certificates, documents and other instruments relating to the determination of the rights, preferences and privileges of Partnership Interests; and

- (2) execute, swear to, acknowledge and file all ballots, consents, approvals, waivers, certificates and other instruments appropriate or necessary, in the sole and absolute discretion of the General Partner, to make, evidence, give, confirm or ratify any vote, consent, approval, agreement or other action which is made or given by the Partners hereunder or is consistent with the terms of this Agreement or appropriate or necessary, in the sole discretion of the General Partner, to effectuate the terms or intent of this Agreement.

Nothing contained herein shall be construed as authorizing the General Partner to amend this Agreement except in accordance with Article 14 hereof or as may be otherwise expressly provided for in this Agreement.

B. The foregoing power of attorney is hereby declared to be irrevocable and a power coupled with an interest, in recognition of the fact that each of the Partners will be relying upon the power of the General Partner to act as contemplated by this Agreement in any filing or other action by it on behalf of the Partnership, and it shall survive and not be affected by the subsequent Incapacity of any Limited Partner or Assignee and the transfer of all or any portion of such Limited Partner's or Assignee's Partnership Units and shall extend to such Limited Partner's or Assignee's heirs, successors, assigns and personal representatives. Each such Limited Partner or Assignee hereby agrees to be bound by any representation made by the General Partner, acting in good faith pursuant to such power of attorney; and each such Limited Partner or Assignee hereby waives any and all defenses which may be available to contest, negate or disaffirm the action of the General Partner, taken in good faith under such power of attorney. Each Limited Partner or Assignee shall execute and deliver to the General Partner or the

- 15 -

21

Liquidator, within fifteen (15) days after receipt of the General Partner's request therefor, such further designation, powers of attorney and other instruments as the General Partner or the Liquidator, as the case may be, deems necessary to effectuate this Agreement and the purposes of the Partnership.

#### SECTION 2.5 TERM

The term of the Partnership commenced on October 16, 1992 and shall continue until December 31, 2091, unless it is dissolved sooner pursuant to the provisions of Article 13 or as otherwise provided by law.

ARTICLE 3  
PURPOSE

SECTION 3.1 PURPOSE AND BUSINESS

The purpose and nature of the business to be conducted by the Partnership is (i) to conduct any business that may be lawfully conducted by a limited partnership organized pursuant to the Act, provided, however, that such business shall be limited to and conducted in such a manner as to permit the General Partner at all times to be classified as a REIT, unless the General Partner ceases to qualify as a REIT, (ii) to enter into any partnership, joint venture or other similar arrangement to engage in any of the foregoing or the ownership of interests in any entity engaged in any of the foregoing, and (iii) to do anything necessary or incidental to the foregoing.

SECTION 3.2 POWERS

The Partnership is empowered to do any and all acts and things necessary, appropriate, proper, advisable, incidental to or convenient for the furtherance and accomplishment of the purposes and business described herein and for the protection and benefit of the Partnership, provided that the Partnership shall not take, or refrain from taking, any action which, in the judgment of the General Partner, in its sole and absolute discretion, (i) could adversely affect the ability of the General Partner to continue to qualify as a REIT, (ii) could subject the General Partner to any additional taxes under Section 857 or 4981 of the Code, or (iii) could violate any law or regulation of any governmental body or agency having jurisdiction over the General Partner or its securities, unless such action (or inaction) shall have been specifically consented to by the General Partner in writing.

- 16 -

22

ARTICLE 4  
CAPITAL CONTRIBUTIONS

SECTION 4.1 CAPITAL CONTRIBUTIONS OF THE PARTNERS

On the Effective Date, the Partners made the Capital Contributions described in the section captioned "Formation of the Company" in the final Prospectus of the General Partner in connection with the initial public offering of the REIT Shares. To the extent the Partnership acquires any property by the merger of any other Person into the Partnership, Persons who receive Partnership Interests in exchange for their interests in the Person merging into the Partnership shall become Partners and shall be deemed to have made Capital Contributions as provided in the applicable merger agreement and as set forth in Exhibit A, as amended to reflect such deemed Capital Contributions. The Partners shall own Partnership Units in the amounts set forth in Exhibit A and shall have a Percentage Interest in the Partnership as set forth in Exhibit A, which Percentage Interest shall be adjusted in Exhibit A from time to time by the General Partner to the extent necessary to reflect accurately redemptions, Capital Contributions, the issuance of additional Partnership Units, or similar events having an effect on a Partner's Percentage Interest. A number of Partnership Units held by the General Partner equal to one percent (1%) of all outstanding Partnership Units shall be deemed to be the General Partner Partnership Units and shall be the General Partnership Interest. Except as provided in Sections 4.2 and 10.5, the Partners shall have

no obligation to make any additional Capital Contributions or loans to the Partnership.

#### SECTION 4.2 ISSUANCES OF ADDITIONAL PARTNERSHIP INTERESTS

A. The General Partner is hereby authorized to cause the Partnership from time to time to issue to Partners or other Persons other than the General Partner (including, without limitation, in connection with the contribution of property to the Partnership) additional Partnership Units or other Partnership Interests in one or more classes, or one or more series of any of such classes, with such designations, preferences and relative, participating, optional or other special rights, powers and duties, including rights, powers and duties senior to Limited Partnership Interests, all as shall be determined by the General Partner in its sole and absolute discretion subject to Delaware law, including, without limitation, (i) the allocations of items of Partnership income, gain, loss, deduction and credit to each such class or series of Partnership Interests, (ii) the right of each such class or series of Partnership Interests to share in Partnership distributions, and (iii) the rights of each such class or series of Partnership Interests upon dissolution and liquidation of the Partnership.

B. The General Partner may make Capital Contributions to the Partnership at such times and in such amounts as the General Partner, in its sole

- 17 -

23

and absolute discretion, may determine advisable, but under no circumstances shall the General Partner be obligated to make any such Capital Contribution. In exchange for each such Capital Contribution, the Partnership shall issue to the General Partner (i) that number of Class A or Class C Units equal to (a) the amount of the Capital Contribution divided by (b) the per Unit fair market value, as determined in good faith by the General Partner, of the underlying assets of the Partnership or (ii) additional Partnership Units or other Partnership Interests, other than Class A or Class C Units, in one or more classes, or one or more series of any of such classes, with such designations, preferences and relative, participating, optional or other special rights, powers and duties, including rights, powers and duties senior to Limited Partnership Interests, all as shall be determined by the General Partner in good faith, subject to Delaware law, including, without limitation, (x) the allocations of items of Partnership income, gain, loss, deduction and credit to each such class or series of Partnership Interests, (y) the right of each such class or series of Partnership Interests to share in Partnership distributions, and (z) the rights of each such class or series of Partnership Interests upon dissolution and liquidation of the Partnership; provided that, in connection with an issuance of Partnership Units and/or Partnership Interests, pursuant to clause (ii) of this Section 4.2.B, (q) such Partnership Units and/or Partnership Interests are issued in connection with an issuance of shares of the General Partner, which shares have designations, preferences and other rights, all such that the economic interests are substantially similar to the designations, preferences and other rights of the additional Partnership Units and/or Partnership Interests issued to the General Partner in accordance with clause (ii) of this Section 4.2.B, and (r) the General Partner shall make a Capital Contribution to the Partnership in an amount equal to the proceeds raised in connection with the issuance of such shares of the General Partner.

C. The General Partner may issue additional REIT Shares



or rights, options, warrants or convertible or exchangeable securities containing the right to subscribe for or purchase REIT Shares ("New Securities") at such times and in such amounts and for such consideration as the General Partner, in its sole and absolute discretion, determines. Under no circumstances shall the General Partner be obligated to contribute to the Partnership all or any part of the proceeds from any issuance of such New Securities or from the exercise of rights contained in such New Securities, and the General Partner may, in its sole and absolute discretion, retain all such proceeds, to be used by the General Partner as it determines, in its sole and absolute discretion, to be advisable.

D. The General Partner shall cause the Partnership to issue up to 1,266,900 Partnership Units upon the exercise of the options granted pursuant to the 1993 Carr Realty Option Plan or the 1993 Carr Services Option Plan (together "the Plans") in accordance with the terms of the Plans. Units issued upon the exercise of options granted under the Carr Realty Option Plan shall be issued to the holder of such option for an amount equal to the exercise price with respect to such

- 18 -

24

option. Units issued in connection with the exercise of an option under the Carr Services Option Plan shall be sold to Carr Real Estate Services, Inc. ("CRES"), for delivery to the employee exercising an option under the CRES Plan at a price equal to the Value of a REIT Share on the date of exercise (as defined in the Plans) of an option by such employee. Notwithstanding Section 11.3, Partnership Units delivered to CRES in connection with the exercise of an option by a CRES employee may be transferred to such employee, whereupon such employee shall be admitted as an Additional Limited Partner for all purposes hereunder.

E. Under the authority granted to it by Section 4.2.A and pursuant to the Real Estate Contribution Agreement entered into by and between Carr Realty, L.P. and Century II Limited Partnership dated as of June 7, 1994, the General Partner hereby establishes an additional class of Partnership Units entitled "Class B Units" to be issued to Century II Limited Partnership. Class B Units shall have the designations, preferences, rights, powers and duties as set forth in Exhibit G.

F. Under the authority granted to it by Section 4.2.A, the General Partner hereby establishes an additional class of Partnership Units entitled "Class C Units" that is available to be issued in lieu of Class A Units, at the election of the General Partner, in its sole and absolute discretion, to newly admitted Partners in exchange for the contribution by such Partners of cash, real estate partnership interests, stock, notes, other assets or other consideration. Except as otherwise provided below and in Section 5.1.B hereof, each Class C Unit shall have the same designations, rights, preferences, powers and duties as each Class A Unit:

- (1) The amount of Available Cash distributable with respect to Class C Units shall be determined in accordance with Section 5.1.B hereof, and the Guaranteed Payment with respect to Class C Units shall be computed as set forth in the definition of "Guaranteed Payment" as set forth in Article 1 of this Agreement.

- (2) Each Class C Unit shall be converted automatically into a Class A Unit on the day immediately following the Partnership Record Date for the Distribution Period (as defined in Section 5.1.B) in which the Class C Unit was issued, without the requirement for any action by either the Partnership or the Partner holding the Class C Unit.
- (3) A holder of Class C Units will not have the Redemption Right under Section 8.6 with respect to its Class C Units. The Redemption Right for a holder of Class A Units into which Class C Units have been converted pursuant to clause (2) above shall be the same as set forth in Section 8.6 except that such

- 19 -

25

Redemption Right shall not be exercisable for a period of one (1) year following the issuance of such Class C Units (or such longer or shorter period as may be set forth in the contribution agreement or amendment to this Agreement pursuant to which such Class C Units were issued).

- (4) A holder of either Class C Units or Class A Units into which Class C Units have been converted pursuant to clause (2) above shall be subject to the restrictions on transfer imposed by Section 11.3 of this Agreement (in addition to any other restrictions on transfer as may be set forth in the contribution agreement or amendment to this Agreement pursuant to which such Class C Units were issued).
- (5) The General Partner shall cause Class C Units to be issued by the Partnership only pursuant to an amendment to this Agreement, which amendment shall designate that the newly issued Partnership Units are Class C Units. The General Partner shall have the right, in its sole and absolute discretion, subject to Section 4.2.A above, to determine whether the Partnership should issue Class A Units, Class C Units (or one or more series thereof), or another class of Partnership Interests in connection with a contribution of property, other assets or other consideration, to the Partnership.

#### SECTION 4.3 NO PREEMPTIVE RIGHTS

No Person shall have any preemptive, preferential or other similar right with respect to (i) additional Capital Contributions or loans to the Partnership or (ii) issuance or sale of any Partnership Units.

#### ARTICLE 5 DISTRIBUTIONS

#### SECTION 5.1 REQUIREMENT AND CHARACTERIZATION OF DISTRIBUTIONS

A. Except as set forth in Section 5.1.B, the General Partner shall distribute at least quarterly an amount equal to one hundred percent (100%) of Available Cash generated by the Partnership during such quarter or shorter period to the Partners who are Partners on the Partnership Record Date with respect to such quarter or shorter period. Except as set forth in Section 5.1.B and in Exhibit G, all distributions of Available Cash shall be made to the Partners in accordance with their respective Percentage Interests on such Partnership Record

- 20 -

26

Date; provided that in no event may a Partner receive a distribution of Available Cash with respect to a Partnership Unit if such Partner is entitled to receive a distribution out of such Available Cash with respect to a REIT Share for which such Unit has been redeemed or exchanged. The General Partner shall take such reasonable efforts, as determined by it in its sole and absolute discretion and consistent with its qualification as a REIT, to distribute Available Cash to the Limited Partners so as to preclude any such distribution or portion thereof from being treated as part of a sale of property to the Partnership by a Limited Partner under Section 707 of the Code or the Regulations thereunder; provided that the General Partner and the Partnership shall not have liability to a Limited Partner under any circumstances as a result of any distribution to a Limited Partner being so treated.

B. If for any quarter or shorter period with respect to which a distribution is to be made (a "Distribution Period") Class C Units are outstanding on the Partnership Record Date for such Distribution Period, the General Partner shall allocate the Available Cash with respect to such Distribution Period (less any amount required to be distributed to holders of Class B Units pursuant to Exhibit G) between the Partners who are holders of Class A Units ("Class A") and the Partners who are holders of Class C Units ("Class C") as follows:

- (1) Class A shall receive that portion of the Available Cash (the "Class A Share") determined by multiplying the amount of Available Cash by the following fraction:

$$\frac{A \times Y}{(A \times Y) + (C \times X)}$$

- (2) Class C shall receive that portion of the Available Cash (the "Class C Share") determined by multiplying the amount of Available Cash by the following fraction:

$$\frac{C \times X}{(A \times Y) + (C \times X)}$$

- (3) For purposes of the foregoing formulas, (i) "A" equals the number of Class A Units outstanding on the Partnership Record Date for such Distribution Period; (ii) "C" equals the number of Class C Units outstanding on the Partnership Record Date for such Distribution Period; (iii) "Y" equals the number of

27

the Distribution Period for which the Class C Units were issued and outstanding.

The Class A Share shall be distributed among Partners holding Class A Units on the Partnership Record Date for the Distribution Period in accordance with the number of Class A Units held by each Partner on such Partnership Record Date; provided that in no event may a Partner receive a distribution of Available Cash with respect to a Class A Unit if a Partner is entitled to receive a distribution out of such Available Cash with respect to a REIT Share for which such Class A Unit has been redeemed or exchanged. The Class C Share shall be distributed among the Partners holding Class C Units on the Partnership Record Date for the Distribution Period in accordance with the number of Class C Units held by each Partner on such Partnership Record Date. In no event shall any Class C Units be entitled to receive any distribution of Available Cash for any Distribution Period ending prior to the date on which such Class C Units are issued.

C. In the event that Class C Units which have been issued on different dates are outstanding on the Partnership Record Date for any Distribution Period, then the Class C Units issued on each particular date shall be treated as a separate series of Partnership Units for purposes of making the allocation of Available Cash for such Distribution Period among the holders of Partnership Units (and the formula for making such allocation, and the definitions of variables used therein, shall be modified accordingly). Thus, for example, if two series of Class C Units are outstanding on the Partnership Record Date for any Distribution Period, the allocation formula for each series, "Series C(1)" and "Series C(2)," would be as follows:

- (1) Series C(1) shall receive that portion of the Available Cash determined by multiplying the amount of Available Cash by the following fraction:

$$\frac{C_{(1)} \times X_{(1)}}{(A \times Y) + (C_{(1)} \times X_{(1)}) + (C_{(2)} \times X_{(2)})}$$

- (2) Series C(2) shall receive that portion of the Available Cash determined by multiplying the amount of Available Cash by the following fraction:

$$\frac{C_{(2)} \times X_{(2)}}{(A \times Y) + (C_{(1)} \times X_{(1)}) + (C_{(2)} \times X_{(2)})}$$

- (3) For purposes of the foregoing formulas the definitions set forth in Section 5.1.B.3 remain the

same except that (i) "C" equals the number of  
 (1)  
 Partnership Units in Series C outstanding on the  
 (1)  
 Partnership Record Date for such Distribution Period;  
 (ii) "C" equals the number of Partnership Units in  
 (2)  
 Series C outstanding on the Partnership Record  
 (2)  
 Date for such Distribution Period; (iii) "X"  
 (1)  
 equals the number of days in the Distribution Period  
 for which the Partnership Units in Series C were  
 (1)  
 issued and outstanding; and (iv) "X" equals the  
 (2)  
 number of days in the Distribution Period for which  
 the Partnership Units in Series C were issued  
 (2)

SECTION 5.2 GUARANTEED PAYMENT

The Partnership shall pay quarterly to each Partner who is a Partner on the Partnership Record Date with respect to such quarter an amount of cash equal to such Partner's Guaranteed Payment; provided that under no circumstance shall the General Partner or any Limited Partner (i) be obligated to loan or contribute or otherwise make available money or property to the Partnership in order to enable the Partnership to make a Guaranteed Payment or (ii) otherwise have personal liability for the payment of the Guaranteed Payment. Amounts paid pursuant to this Section 5.2 are intended to constitute guaranteed payments within the meaning of Section 707(c) of the Code, shall be treated consistently therewith by the Partnership and all Partners, and shall not be treated as distributions for purposes of computing the Partners' Capital Accounts.

SECTION 5.3 AMOUNTS WITHHELD

All amounts withheld pursuant to the Code or any provisions of any state or local tax law and Section 10.5 hereof with respect to any allocation, payment or distribution to the General Partner, the Limited Partners or Assignees shall be treated as amounts distributed to the General Partner, Limited Partners, or Assignees pursuant to Section 5.1 for all purposes under this Agreement.

SECTION 5.4 DISTRIBUTIONS UPON LIQUIDATION

Proceeds from a Terminating Capital Transaction shall be distributed to the Partners in accordance with Section 13.2.

ARTICLE 6  
ALLOCATIONS

SECTION 6.1 ALLOCATIONS FOR CAPITAL ACCOUNT PURPOSES

For purposes of maintaining the Capital Accounts and in determining the rights of the Partners among themselves, the Partnership's items of income, gain, loss and deduction (computed in accordance with Exhibit B hereof) shall be allocated among the Partners in each taxable year (or portion thereof) as provided herein below.

A. Net Income. After giving effect to the special allocations set forth in Section 1 of Exhibit C, Net Income shall be allocated (i) first, to the General Partner to the extent that Net Losses previously allocated to the General Partner pursuant to the last sentence of Section 6.1.B exceed Net Income previously allocated to the General Partner pursuant to this clause (i) of Section 6.1.A, and (ii) thereafter, Net Income shall be allocated to the Partners in accordance with their respective Percentage Interests.

B. Net Losses. After giving effect to the special allocations set forth in Section 1 of Exhibit C, Net Losses shall be allocated to the Partners in accordance with their respective Percentage Interests, provided that Net Losses shall not be allocated to any Limited Partner pursuant to this Section 6.1.B to the extent that such allocation would cause such Limited Partner to have an Adjusted Capital Account Deficit at the end of such taxable year (or increase any existing Adjusted Capital Account Deficit). All Net Losses in excess of the limitations set forth in this Section 6.1.B shall be allocated to the General Partner.

C. Allocation of Nonrecourse Debt. For purposes of Regulations Section 1.752-3(a), the Partners agree that Nonrecourse Liabilities of the Partnership in excess of the sum of (i) the amount of Partnership Minimum Gain and (ii) the total amount of Nonrecourse Built-in Gain shall be allocated among the Partners in accordance with their respective Percentage Interests.

D. Recapture Income. Any gain allocated to the Partners upon the sale or other taxable disposition of any Partnership asset shall to the extent possible, after taking into account other required allocations of gain pursuant to Exhibit C, be characterized as Recapture Income in the same proportions and to the same extent as such Partners have been allocated any deductions directly or indirectly giving rise to the treatment of such gains as Recapture Income.

- 24 -

30

ARTICLE 7  
MANAGEMENT AND OPERATIONS OF BUSINESS

SECTION 7.1 MANAGEMENT

A. Except as otherwise expressly provided in this Agreement, all management powers over the business and affairs of the Partnership are exclusively vested in the General Partner, and no Limited Partner shall have any right to participate in or exercise control or management power over the business and affairs of the Partnership. The General Partner may not be removed by the Limited Partners with or without cause. In

addition to the powers now or hereafter granted a general partner of a limited partnership under applicable law or which are granted to the General Partner under any other provision of this Agreement, the General Partner, subject to Section 7.3 hereof, shall have full power and authority to do all things deemed necessary or desirable by it to conduct the business of the Partnership, to exercise all powers set forth in Section 3.2 hereof and to effectuate the purposes set forth in Section 3.1 hereof, including, without limitation:

- (1) the making of any expenditures, the lending or borrowing of money (including, without limitation, making prepayments on loans and borrowing money to permit the Partnership to make distributions to its Partners in such amounts as will permit the General Partner (so long as the General Partner qualifies as a REIT) to avoid the payment of any federal income tax (including, for this purpose, any excise tax pursuant to Section 4981 of the Code) and to make distributions to its shareholders sufficient to permit the General Partner to maintain REIT status), the assumption or guarantee of, or other contracting for, indebtedness and other liabilities, the issuance of evidences of indebtedness (including the securing of same by mortgage, deed of trust or other lien or encumbrance on the Partnership's assets) and the incurring of any obligations it deems necessary for the conduct of the activities of the Partnership;
- (2) the making of tax, regulatory and other filings, or rendering of periodic or other reports to governmental or other agencies having jurisdiction over the business or assets of the Partnership;
- (3) the acquisition, disposition, mortgage, pledge, encumbrance, hypothecation or exchange of any assets of the Partnership or the merger or other combination of the Partnership with or into

- 25 -

31

another entity (all of the foregoing subject to any prior approval which may be required by Section 7.3 hereof);

- (4) the use of the assets of the Partnership (including, without limitation, cash on hand) for any purpose consistent with the terms of this Agreement and on any terms it sees fit, including, without limitation, the financing of the conduct of the operations of the General Partner, the Partnership or any of the Partnership's Subsidiaries, the lending of funds to other Persons (including the Partnership's Subsidiaries) and the repayment of obligations of the Partnership and its Subsidiaries and any other Person in which it has an equity investment and the making of Capital Contributions to its Subsidiaries;

- (5) the negotiation, execution, and performance of any contracts, conveyances or other instruments that the General Partner considers useful or necessary to the conduct of the Partnership's operations or the implementation of the General Partner's powers under this Agreement;
- (6) the distribution of Partnership cash or other Partnership assets in accordance with this Agreement;
- (7) the selection and dismissal of employees of the Partnership or the General Partner (including, without limitation, employees having titles such as "president", "vice president", "secretary" and "treasurer"), and agents, outside attorneys, accountants, consultants and contractors of the General Partner or the Partnership and the determination of their compensation and other terms of employment or hiring;
- (8) the maintenance of such insurance for the benefit of the Partnership and the Partners as it deems necessary or appropriate;
- (9) the formation of, or acquisition of an interest in, and the contribution of property to, any further limited or general partnerships, joint ventures or other relationships that it deems desirable (including, without limitation, the acquisition of interests in, and the contributions of property to its Subsidiaries and any other Person in which it has an equity investment from time to time);
- (10) the control of any matters affecting the rights and obligations of the Partnership, including the conduct of litigation and the

- 26 -

32

incurring of legal expense and the settlement of claims and litigation, and the indemnification of any Person against liabilities and contingencies to the extent permitted by law;

- (11) the undertaking of any action in connection with the Partnership's direct or indirect investment in its Subsidiaries or any other Person (including, without limitation, the contribution or loan of funds by the Partnership to such Persons); and
- (12) the determination of the fair market value of any Partnership property distributed in kind using such reasonable method of valuation as it may adopt.

B. Each of the Limited Partners agrees that the General Partner is authorized to execute, deliver and perform the above-mentioned agreements and transactions on behalf of the Partnership without any further



act, approval or vote of the Partners, notwithstanding any other provision of this Agreement (except as provided in Section 7.3), the Act or any applicable law, rule or regulation. The execution, delivery or performance by the General Partner or the Partnership of any agreement authorized or permitted under this Agreement shall not constitute a breach by the General Partner of any duty that the General Partner may owe the Partnership or the Limited Partners or any other Persons under this Agreement or of any duty stated or implied by law or equity.

C. At all times from and after the date hereof, the General Partner may cause the Partnership to obtain and maintain (i) casualty, liability and other insurance on the properties of the Partnership and (ii) liability insurance for the Indemnitees hereunder.

D. At all times from and after the date hereof, the General Partner may cause the Partnership to establish and maintain working capital reserves in such amounts as the General Partner, in its sole and absolute discretion, deems appropriate and reasonable from time to time.

E. In exercising its authority under this Agreement, the General Partner may, but shall be under no obligation to, take into account the tax consequences to any Partner of any action taken by it. The General Partner and the Partnership shall not have liability to a Limited Partner under any circumstances as a result of an income tax liability incurred by such Limited Partner as a result of an action (or inaction) by the General Partner pursuant to its authority under this Agreement.

- 27 -

33

## SECTION 7.2 CERTIFICATE OF LIMITED PARTNERSHIP

The General Partner has previously filed the Certificate with the Secretary of State of Delaware. To the extent that such action is determined by the General Partner to be reasonable and necessary or appropriate, the General Partner shall file amendments to and restatements of the Certificate and do all the things to maintain the Partnership as a limited partnership (or a partnership in which the limited partners have limited liability) under the laws of the State of Delaware and each other state or the District of Columbia, in which the Partnership may elect to do business or own property. Subject to the terms of Section 8.5.A(4) hereof, the General Partner shall not be required, before or after filing, to deliver or mail a copy of the Certificate or any amendment thereto to any Limited Partner. The General Partner shall use all reasonable efforts to cause to be filed such other certificates or documents as may be reasonable and necessary or appropriate for the formation, continuation, qualification and operation of a limited partnership (or a partnership in which the limited partners have limited liability) in the State of Delaware and any other state, or the District of Columbia, in which the Partnership may elect to do business or own property.

## SECTION 7.3 RESTRICTIONS ON GENERAL PARTNER'S AUTHORITY

A. The General Partner may not, without the written Consent of all of the Limited Partners, take any action in contravention of this Agreement, including, without limitation:

- (1) take any action that would make it impossible to carry on the ordinary business of the Partnership,

except as otherwise provided in this Agreement;

- (2) possess Partnership property, or assign any rights in specific Partnership property, for other than a Partnership purpose except as otherwise provided in this Agreement;
- (3) admit a Person as a Partner, except as otherwise provided in this Agreement; or
- (4) perform any act that would subject a Limited Partner to liability as a general partner in any jurisdiction or any other liability except as provided herein or under the Act.

B. Except as provided in Article 13 hereof, the General Partner may not sell, exchange, transfer or otherwise dispose of all or substantially all of the Partnership's assets in a single transaction or a series of related transactions (including by way of merger, consolidation or other combination with any other

- 28 -

34

Person) without the Consent of holders of two-thirds of the outstanding Partnership Units.

C. The General Partner may not cause or permit the Partnership to voluntarily sell, exchange, transfer or otherwise dispose of the property located at 900 19th Street, N.W., Washington, D.C. for eight (8) years after the Effective Date, except as provided in Section 7.3.B or pursuant to the dissolution and liquidation of the Partnership in accordance with Article 13 hereof, unless the partners denoted as "Former 900 19th Street Partners" in Exhibit A and who are holders of Partnership Units at the time of the proposed sale all Consent to such sale. Nothing herein shall be deemed to require that the Partnership or the General Partner take any action to avoid or prevent an involuntary disposition of such property, whether pursuant to foreclosure of a mortgage secured by such property or otherwise.

#### SECTION 7.4 REIMBURSEMENT OF THE GENERAL PARTNER

A. Except as provided in this Section 7.4 and elsewhere in this Agreement (including the provisions of Articles 5 and 6 regarding distributions, payments, and allocations to which it may be entitled), the General Partner shall not be compensated for its services as general partner of the Partnership.

B. The General Partner shall be reimbursed on a monthly basis, or such other basis as the General Partner may determine in its sole and absolute discretion, for all expenses it incurs relating to the operation of, or for the benefit of, the Partnership. The General Partner shall determine in good faith the amount of expenses incurred by it related to the operation of, or for the benefit of, the Partnership. In the event that certain expenses are incurred for the benefit of the Partnership and other entities (including the General Partner), such expenses will be allocated to the Partnership and such other entities in such a manner as the General Partner in its sole and absolute discretion deems fair and reasonable. Such reimbursements shall be in addition to any reimbursement to the General Partner as a result of indemnification

pursuant to Section 7.7 hereof.

C. The General Partner also shall be reimbursed for all expenses it incurs relating to any issuance of additional Partnership Interests or REIT Shares (in such case based on the percentage of the net proceeds therefrom contributed or otherwise made available to the Partnership) pursuant to Section 4.2 hereof.

#### SECTION 7.5 OUTSIDE ACTIVITIES OF THE GENERAL PARTNER

A. The General Partner shall devote to the Partnership such time as may be necessary for the proper performance of its duties as General Partner, but the General Partner is not required, and is not expected, to devote its full time

- 29 -

35

to the performance of such duties. Subject to any agreement entered into pursuant to Section 7.6.E hereof and any other agreements entered into by the General Partner or its Affiliates with the Partnership or a Subsidiary, the General Partner and any officer, director, employee, agent, trustee, Affiliate or shareholder of the General Partner shall be entitled to and may have business interests and engage in business activities in addition to those relating to the Partnership (including, without limitation, owning and operating real estate and incurring indebtedness in its own name, whether or not the proceeds of such indebtedness are used for the benefit of the Partnership), including, without limitation, engaging in other business interests and activities in direct or indirect competition with the Partnership. Neither the Partnership nor any Partners shall have any right by virtue of this Agreement or the partnership relationship established hereby in or to such other ventures or activities or to the income or proceeds derived therefrom, and the pursuit of such ventures, even if competitive with the business of the Partnership, shall not be deemed wrongful or improper. Neither the General Partner nor any Affiliate of the General Partner shall be obligated to present any particular opportunity to the Partnership even if such opportunity is of a character which, if presented to the Partnership, could be taken by the Partnership, and, regardless of whether or not such opportunity is competitive with the Partnership, the General Partner or any Affiliate of the General Partner shall have the right to take for its own account (individually or as a trustee, partner or fiduciary), or to recommend to others, any such particular opportunity. The General Partner and any Affiliates of the General Partner may acquire Limited Partnership Interests and shall be entitled to exercise all rights of a Limited Partner relating to such Limited Partnership Interests.

B. The General Partner may, from time to time in its sole and absolute discretion, purchase and/or redeem REIT Shares (including, without limitation, in connection with a stock repurchase or similar program). In the event that the General Partner purchases and/or redeems REIT Shares, then the General Partner shall purchase and/or redeem such REIT Shares with its own funds and not from the proceeds of any sale of Units to the Partnership; provided, however, that if the Partnership purchases Units pro rata from all Partners, the General Partner may use the proceeds it receives from any such sale of Units to purchase and/or redeem REIT Shares.

C. The General Partner shall not make any extraordinary distributions of cash or property to its shareholders or effect a merger or

sale of all or substantially all of its assets without notifying the Limited Partners of its intention to make such distribution or effect such merger or sale at least 20 business days prior to the record date to determine shareholders eligible to receive such distribution or to vote upon the approval of such merger or sale.

- 30 -

36

#### SECTION 7.6 CONTRACTS WITH AFFILIATES

A. The Partnership may lend or contribute to its Subsidiaries or other Persons in which it has an equity investment, and such Persons may borrow funds from the Partnership, on terms and conditions established in the sole and absolute discretion of the General Partner. The foregoing authority shall not create any right or benefit in favor of any Subsidiary or any other Person.

B. Except as provided in Section 7.5.A, the Partnership may transfer assets to joint ventures, other partnerships, corporations or other business entities in which it is or thereby becomes a participant upon such terms and subject to such conditions consistent with this Agreement and applicable law.

C. Except as expressly permitted by this Agreement, neither the General Partner nor any of its Affiliates shall sell, transfer or convey any property to, or purchase any property from, or borrow funds from, or lend funds to, the Partnership, directly or indirectly, except pursuant to transactions that are on terms that are fair and reasonable and no less favorable to the Partnership than would be obtained from an unaffiliated third party.

D. The General Partner, in its sole and absolute discretion and without the approval of the Limited Partners, may propose and adopt on behalf of the Partnership employee benefit plans funded by the Partnership for the benefit of employees of the General Partner, the Partnership, Subsidiaries of the Partnership or any Affiliate of any of them in respect of services performed, directly or indirectly, for the benefit of the Partnership, the General Partner, or any of the Partnership's Subsidiaries.

E. The General Partner is expressly authorized to enter into, in the name and on behalf of the Partnership, a right of first opportunity arrangement and other conflict avoidance agreements with various Affiliates of the Partnership and the General Partner, on such terms as the General Partner, in its sole and absolute discretion, believes are advisable.

#### SECTION 7.7 INDEMNIFICATION

A. The Partnership shall indemnify an Indemnitee from and against any and all losses, claims, damages, liabilities, joint or several, expenses (including legal fees and expenses), judgments, fines, settlements, and other amounts arising from any and all claims, demands, actions, suits or proceedings, civil, criminal, administrative or investigative, that relate to the operations of the Partnership as set forth in this Agreement in which any Indemnitee may be involved, or is threatened to be involved, as a party or otherwise, unless it is established that: (i) the act or omission of the Indemnitee was material to the

matter giving rise to the proceeding and either was committed in bad faith or was the result of active and deliberate dishonesty, (ii) the Indemnatee actually received an improper personal benefit in money, property or services, or (iii) in the case of any criminal proceeding, the Indemnatee had reasonable cause to believe that the act or omission was unlawful. The termination of any proceeding by judgment, order or settlement does not create a presumption that the Indemnatee did not meet the requisite standard of conduct set forth in this Section 7.7.A. The termination of any proceeding by conviction or upon a plea of nolo contendere or its equivalent, or an entry of an order of probation prior to judgment, creates a rebuttable presumption that the Indemnatee acted in a manner contrary to that specified in this Section 7.7.A. Any indemnification pursuant to this Section 7.7 shall be made only out of the assets of the Partnership.

B. Reasonable expenses incurred by an Indemnatee who is a party to a proceeding may be paid or reimbursed by the Partnership in advance of the final disposition of the proceeding upon receipt by the Partnership of (i) a written affirmation by the Indemnatee of the Indemnatee's good faith belief that the standard of conduct necessary for indemnification by the Partnership as authorized in this Section 7.7.A has been met, and (ii) a written undertaking by or on behalf of the Indemnatee to repay the amount if it shall ultimately be determined that the standard of conduct has not been met.

C. The indemnification provided by this Section 7.7 shall be in addition to any other rights to which an Indemnatee or any other Person may be entitled under any agreement, pursuant to any vote of the Partners, as a matter of law or otherwise, and shall continue as to an Indemnatee who has ceased to serve in such capacity.

D. The Partnership may purchase and maintain insurance, on behalf of the Indemnitees and such other Persons as the General Partner shall determine, against any liability that may be asserted against or expenses that may be incurred by such Person in connection with the Partnership's activities, regardless of whether the Partnership would have the power to indemnify such Person against such liability under the provisions of this Agreement.

E. For purposes of this Section 7.7, (i) the Partnership shall be deemed to have requested an Indemnatee to serve as fiduciary of an employee benefit plan whenever the performance by it of its duties to the Partnership also imposes duties on, or otherwise involves services by, it to the plan or participants or beneficiaries of the plan, (ii) excise taxes assessed on an Indemnatee with respect to an employee benefit plan pursuant to applicable law shall constitute fines within the meaning of Section 7.7, and (iii) actions taken or omitted by the Indemnatee with respect to an employee benefit plan in the performance of its duties for a purpose reasonably believed by it to be in the interest of the participants and

beneficiaries of the plan shall be deemed to be for a purpose which is not opposed to the best interests of the Partnership.

F. In no event may an Indemnitee subject the Limited Partners to personal liability by reason of the indemnification provisions set forth in this Agreement.

G. An Indemnitee shall not be denied indemnification in whole or in part under this Section 7.7 because the Indemnitee had an interest in the transaction with respect to which the indemnification applies if the transaction was otherwise permitted by the terms of this Agreement.

H. The provisions of this Section 7.7 are for the benefit of the Indemnitees, their heirs, successors, assigns and administrators and shall not be deemed to create any rights for the benefit of any other Persons.

#### SECTION 7.8 LIABILITY OF THE GENERAL PARTNER

A. Notwithstanding anything to the contrary set forth in this Agreement, the General Partner shall not be liable for monetary damages to the Partnership, any Partners or any Assignees for losses sustained or liabilities incurred as a result of errors in judgment or of any act or omission if the General Partner acted in good faith.

B. The Limited Partners expressly acknowledge that the General Partner is acting on behalf of the Partnership and the General Partner's shareholders collectively, that the General Partner is under no obligation to consider the separate interests of the Limited Partners (including, without limitation, the tax consequences to Limited Partners or Assignees) in deciding whether to cause the Partnership to take (or decline to take) any actions, and that the General Partner shall not be liable for monetary damages for losses sustained, liabilities incurred, or benefits not derived by Limited Partners in connection with such decisions, provided that the General Partner has acted in good faith.

C. Subject to its obligations and duties as General Partner set forth in Section 7.1.A hereof, the General Partner may exercise any of the powers granted to it by this Agreement and perform any of the duties imposed upon it hereunder either directly or by or through its agents. The General Partner shall not be responsible for any misconduct or negligence on the part of any such agent appointed by it in good faith.

D. Any amendment, modification or repeal of this Section 7.8 or any provision hereof shall be prospective only and shall not in any way affect the limitations on the General Partner's liability to the Partnership and the Limited

Partners under this Section 7.8 as in effect immediately prior to such amendment, modification or repeal with respect to claims arising from or relating to matters occurring, in whole or in part, prior to such amendment,

modification or repeal, regardless of when such claims may arise or be asserted.

#### SECTION 7.9 OTHER MATTERS CONCERNING THE GENERAL PARTNER

A. The General Partner may rely and shall be protected in acting or refraining from acting upon any resolution, certificate, statement, instrument, opinion, report, notice, request, consent, order, bond, debenture, or other paper or document believed by it to be genuine and to have been signed or presented by the proper party or parties.

B. The General Partner may consult with legal counsel, accountants, appraisers, management consultants, investment bankers and other consultants and advisers selected by it, and any act taken or omitted to be taken in reliance upon the opinion of such Persons as to matters which such General Partner reasonably believes to be within such Person's professional or expert competence shall be conclusively presumed to have been done or omitted in good faith and in accordance with such opinion.

C. The General Partner shall have the right, in respect of any of its powers or obligations hereunder, to act through any of its duly authorized officers and a duly appointed attorney or attorneys-in-fact. Each such attorney shall, to the extent provided by the General Partner in the power of attorney, have full power and authority to do and perform all and every act and duty which is permitted or required to be done by the General Partner hereunder.

D. Notwithstanding any other provisions of this Agreement or the Act, any action of the General Partner on behalf of the Partnership or any decision of the General Partner to refrain from acting on behalf of the Partnership, undertaken in the good faith belief that such action or omission is necessary or advisable in order (i) to protect the ability of the General Partner to continue to qualify as a REIT or (ii) to avoid the General Partner incurring any taxes under Section 857 or 4981 of the Code, is expressly authorized under this Agreement and is deemed approved by all of the Limited Partners.

#### SECTION 7.10 TITLE TO PARTNERSHIP ASSETS

Title to Partnership assets, whether real, personal or mixed and whether tangible or intangible, shall be deemed to be owned by the Partnership as an entity, and no Partner, individually or collectively, shall have any ownership interest in such Partnership assets or any portion thereof. Title to any or all of the Partnership assets may be held in the name of the Partnership, the General

Partner or one or more nominees, as the General Partner may determine, including Affiliates of the General Partner. The General Partner hereby declares and warrants that any Partnership assets for which legal title is held in the name of the General Partner or any nominee or Affiliate of the General Partner shall be held by the General Partner for the use and benefit of the Partnership in accordance with the provisions of this Agreement; provided, however, that the General Partner shall use its best efforts to cause beneficial and record title to such assets to be vested in the Partnership as soon as reasonably practicable. All Partnership assets shall be recorded as

the property of the Partnership in its books and records, irrespective of the name in which legal title to such Partnership assets is held.

#### SECTION 7.11 RELIANCE BY THIRD PARTIES

Notwithstanding anything to the contrary in this Agreement, any Person dealing with the Partnership shall be entitled to assume that the General Partner has full power and authority to encumber, sell or otherwise use in any manner any and all assets of the Partnership and to enter into any contracts on behalf of the Partnership, and such Person shall be entitled to deal with the General Partner as if it were the Partnership's sole party in interest, both legally and beneficially. Each Limited Partner hereby waives any and all defenses or other remedies which may be available against such Person to contest, negate or disaffirm any action of the General Partner in connection with any such dealing. In no event shall any Person dealing with the General Partner or its representatives be obligated to ascertain that the terms of this Agreement have been complied with or to inquire into the necessity or expedience of any act or action of the General Partner or its representatives. Each and every certificate, document or other instrument executed on behalf of the Partnership by the General Partner or its representatives shall be conclusive evidence in favor of any and every Person relying thereon or claiming thereunder that (i) at the time of the execution and delivery of such certificate, document or instrument, this Agreement was in full force and effect, (ii) the Person executing and delivering such certificate, document or instrument was duly authorized and empowered to do so for and on behalf of the Partnership, and (iii) such certificate, document or instrument was duly executed and delivered in accordance with the terms and provisions of this Agreement and is binding upon the Partnership.

#### SECTION 7.12 PARTNERSHIP OPERATIONS

A. The General Partner intends to use reasonable efforts to cause the Partnership to operate in a manner (including, without limitation, incurring indebtedness, establishing and maintaining cash reserves, and undertaking and financing recurring and non-recurring capital expenditures) that enables the Partnership to maintain a distribution rate per Class A Unit that is equal to the

- 35 -

41

distribution rate per REIT Share payable to holders of common stock of the General Partner (after taking into account any appropriate adjustments in Class A Units and REIT Shares to reflect stock splits, stock dividends and other similar adjustments). The General Partner agrees that it will act in good faith in attempting to accomplish the foregoing objective, but there is no assurance that such objective will be accomplished and neither the General Partner nor the Partnership shall have any liability for the failure to achieve such objective so long as the General Partner acts in good faith.

B. Notwithstanding Section 14.1.A hereof, the General Partner shall not amend this Section 7.12 in a manner that adversely affects the Limited Partners without the Consent of a majority of the Percentage Interests of the Limited Partners, excluding Limited Partnership Interests held by the General Partner.

### ARTICLE 8 RIGHTS AND OBLIGATIONS OF LIMITED PARTNERS

#### SECTION 8.1 LIMITATION OF LIABILITY



The Limited Partners shall have no liability under this Agreement except as expressly provided in this Agreement, including Section 10.5 hereof, or under the Act.

#### SECTION 8.2 MANAGEMENT OF BUSINESS

No Limited Partner or Assignee (other than the General Partner, any of its Affiliates or any officer, director, employee, partner, agent or trustee of the General Partner, the Partnership or any of their Affiliates, in their capacity as such) shall take part in the operation, management or control (within the meaning of the Act) of the Partnership's business, transact any business in the Partnership's name or have the power to sign documents for or otherwise bind the Partnership. The transaction of any such business by the General Partner, any of its Affiliates or any officer, director, employee, partner, agent or trustee of the General Partner, the Partnership or any of their Affiliates, in their capacity as such, shall not affect, impair or eliminate the limitations on the liability of the Limited Partners or Assignees under this Agreement.

#### SECTION 8.3 OUTSIDE ACTIVITIES OF LIMITED PARTNERS

Subject to any agreements entered into pursuant to Section 7.6.E hereof and any other agreements entered into by a Limited Partner or its Affiliates with the Partnership or a Subsidiary, any Limited Partner and any officer, director, employee, agent, trustee, Affiliate or shareholder of any Limited Partner shall be

- 36 -

42

entitled to and may have business interests and engage in business activities in addition to those relating to the Partnership, including business interests and activities in direct or indirect competition with the Partnership. Neither the Partnership nor any Partners shall have any rights by virtue of this Agreement in any business ventures of any Limited Partner or Assignee. None of the Limited Partners nor any other Person shall have any rights by virtue of this Agreement or the partnership relationship established hereby in any business ventures of any other Person and such Person shall have no obligation pursuant to this Agreement to offer any interest in any such business ventures to the Partnership, any Limited Partner or any such other Person, even if such opportunity is of a character which, if presented to the Partnership, any Limited Partner or such other Person, could be taken by such Person.

#### SECTION 8.4 RETURN OF CAPITAL

Except pursuant to the right of redemption set forth in Section 8.6, no Limited Partner shall be entitled to the withdrawal or return of his Capital Contribution, except to the extent of distributions made pursuant to this Agreement or upon termination of the Partnership as provided herein. No Limited Partner or Assignee shall have priority over any other Limited Partner or Assignee either as to the return of Capital Contributions or, except to the extent provided by Exhibit C hereof or as permitted by Section 4.2.B, or otherwise expressly provided in this Agreement, as to profits, losses or distributions.

#### SECTION 8.5 RIGHTS OF LIMITED PARTNERS RELATING TO THE PARTNERSHIP

A. In addition to other rights provided by this Agreement or by the Act, and except as limited by Section 8.5.C hereof, each Limited Partner shall have the right, for a purpose reasonably related to such Limited Partner's interest as a limited partner in the Partnership, upon written demand with a statement of the purpose of such demand and at such Limited Partner's own expense:

- (1) to obtain a copy of the most recent annual and quarterly reports filed with the Securities and Exchange Commission by the General Partner pursuant to the Securities Exchange Act of 1934;
- (2) to obtain a copy of the Partnership's federal, state and local income tax returns for each Partnership Year;
- (3) to obtain a current list of the name and last known business, residence or mailing address of each Partner;

- 37 -

43

- (4) to obtain a copy of this Agreement and the Certificate and all amendments thereto, together with executed copies of all powers of attorney pursuant to which this Agreement, the Certificate and all amendments thereto have been executed; and
- (5) to obtain true and full information regarding the amount of cash and a description and statement of any other property or services contributed by each Partner and which each Partner has agreed to contribute in the future, and the date on which each became a Partner.

B. The Partnership shall notify each Limited Partner in writing of any change made to the Conversion Factor within ten (10) Business Days of the date such change becomes effective.

C. Notwithstanding any other provision of this Section 8.5, the General Partner may keep confidential from the Limited Partners, for such period of time as the General Partner determines in its sole and absolute discretion to be reasonable, any information that (i) the General Partner believes to be in the nature of trade secrets or other information the disclosure of which the General Partner in good faith believes is not in the best interests of the Partnership or (ii) the Partnership is required by law or by agreements with unaffiliated third parties to keep confidential.

#### SECTION 8.6 REDEMPTION RIGHT

A. Subject to Sections 4.2.F.3 and 8.6.C, on or after the date one (1) year after the Effective Date, each Limited Partner or Assignee, other than the General Partner, shall have the right (the "Redemption Right") to require the Partnership to redeem on a Specified Redemption Date all or a portion of the Partnership Units held by such Limited Partner at a redemption price equal to and in the form of the Redemption Amount to be paid

by the Partnership. The Redemption Right shall be exercised pursuant to a Notice of Redemption delivered to the General Partner by the Limited Partner who is exercising the redemption right (the "Redeeming Partner"). A Limited Partner may not exercise the Redemption Right for less than one thousand (1,000) Partnership Units or, if such Limited Partner holds less than one thousand (1,000) Partnership Units, all of the Partnership Units held by such Partner. The Redeeming Partner shall have no right, with respect to any Partnership Units so redeemed, to receive any distributions or Guaranteed Payments paid after the Specified Redemption Date.

B. Notwithstanding the provisions of Section 8.6.A, the General Partner may, in its sole and absolute discretion, assume directly and satisfy a Redemption Right by paying to the Redeeming Partner the Redemption Amount on

- 38 -

44

the Specified Redemption Date, whereupon the General Partner shall acquire the Partnership Units offered for redemption by the Redeeming Partner and shall be treated for all purposes of this Agreement as the owner of such Partnership Units. In the event the General Partner shall exercise its right to satisfy the Redemption Right in the manner described in the preceding sentence, the Partnership shall have no obligation to pay any amount to the Redeeming Partner with respect to such Redeeming Partner's exercise of the Redemption Right, and each of the Redeeming Partner, the Partnership, and the General Partner shall treat the transaction between the General Partner and the Redeeming Partner as a sale of the Redeeming Partner's Partnership Units to the General Partner for federal income tax purposes. Each Redeeming Partner agrees to execute such documents as the General Partner may reasonably require in connection with the issuance of REIT Shares upon exercise of the Redemption Right.

C. Notwithstanding the provisions of Sections 8.6.A and 8.6.B, a Partner shall not be entitled to exercise the Redemption Right pursuant to Section 8.6.A if the delivery of REIT Shares to such Partner on the Specified Redemption Date would be prohibited under the Articles of Incorporation.

## ARTICLE 9

### BOOKS, RECORDS, ACCOUNTING AND REPORTS

#### SECTION 9.1 RECORDS AND ACCOUNTING

The General Partner shall keep or cause to be kept at the principal office of the Partnership appropriate books and records with respect to the Partnership's business, including, without limitation, all books and records necessary to provide to the Limited Partners any information, lists and copies of documents required to be provided pursuant to Section 9.3 hereof. Any records maintained by or on behalf of the Partnership in the regular course of its business may be kept on, or be in the form of, punch cards, magnetic tape, photographs, micrographics or any other information storage device, provided that the records so maintained are convertible into clearly legible written form within a reasonable period of time. The books of the Partnership shall be maintained, for financial and tax reporting purposes, on an accrual basis in accordance with generally accepted accounting principles.

#### SECTION 9.2 FISCAL YEAR

SECTION 9.3 REPORTS

A. As soon as practicable, but in no event later than one hundred five (105) days after the close of each Partnership Year, the General Partner shall cause to be mailed to each Limited Partner as of the close of the Partnership Year, an annual report containing financial statements of the Partnership, or of the General Partner if such statements are prepared solely on a consolidated basis with the General Partner, for such Partnership Year, presented in accordance with generally accepted accounting principles, such statements to be audited by a nationally recognized firm of independent public accountants selected by the General Partner.

B. As soon as practicable, but in no event later than one hundred five (105) days after the close of each calendar quarter (except the last calendar quarter of each year), the General Partner shall cause to be mailed to each Limited Partner as of the last day of the calendar quarter, a report containing unaudited financial statements of the Partnership, or of the General Partner, if such statements are prepared solely on a consolidated basis with the General Partner, and such other information as may be required by applicable law or regulation, or as the General Partner determines to be appropriate.

ARTICLE 10  
TAX MATTERS

SECTION 10.1 PREPARATION OF TAX RETURNS

The General Partner shall arrange for the preparation and timely filing of all returns of Partnership income, gains, deductions, losses and other items required of the Partnership for federal and state income tax purposes and shall use all reasonable efforts to furnish, within ninety (90) days of the close of each taxable year, the tax information reasonably required by Limited Partners for federal and state income tax reporting purposes.

SECTION 10.2 TAX ELECTIONS

Except as otherwise provided herein, the General Partner shall, in its sole and absolute discretion, determine whether to make any available election pursuant to the Code; provided, however, that the General Partner shall make the election under Section 754 of the Code in accordance with applicable regulations thereunder. The General Partner shall have the right to seek to revoke any such election (including, without limitation, the election under Section 754 of the Code) upon the General Partner's determination in its sole and absolute discretion that such revocation is in the best interests of the Partners.

SECTION 10.3 TAX MATTERS PARTNER

A. The General Partner shall be the "tax matters partner" of the Partnership for federal income tax purposes. Pursuant to Section 6223(c)(3) of the Code, upon receipt of notice from the IRS of the beginning of an administrative proceeding with respect to the Partnership, the tax matters partner shall furnish the IRS with the name, address and profit interest of each of the Limited Partners; provided, however, that such information is provided to the Partnership by the Limited Partners.

B. The tax matters partner is authorized, but not required:

- 1) to enter into any settlement with the IRS with respect to any administrative or judicial proceedings for the adjustment of Partnership items required to be taken into account by a Partner for income tax purposes (such administrative proceedings being referred to as a "tax audit" and such judicial proceedings being referred to as "judicial review"), and in the settlement agreement the tax matters partner may expressly state that such agreement shall bind all Partners, except that such settlement agreement shall not bind any Partner (i) who (within the time prescribed pursuant to the Code and Regulations) files a statement with the IRS providing that the tax matters partner shall not have the authority to enter into a settlement agreement on behalf of such Partner or (ii) who is a "notice partner" (as defined in Section 6231 of the Code) or a member of a "notice group" (as defined in Section 6223(b)(2) of the Code);
- 2) in the event that a notice of a final administrative adjustment at the Partnership level of any item required to be taken into account by a Partner for tax purposes (a "final adjustment") is mailed to the tax matters partner, to seek judicial review of such final adjustment, including the filing of a petition for readjustment with the Tax Court or the United States Claims Court, or the filing of a complaint for refund with the District Court of the United States for the district in which the Partnership's principal place of business is located;
- 3) to intervene in any action brought by any other Partner for judicial review of a final adjustment;

- 4) to file a request for an administrative adjustment with the IRS at any time and, if any part of such request is not allowed by the IRS, to file an appropriate pleading (petition or complaint) for judicial review with respect to such request;
- 5) to enter into an agreement with the IRS to extend the period for assessing any tax which is attributable to any item required to be taken into account by a Partner for tax purposes, or an item affected by such item; and
- 6) to take any other action on behalf of the Partners of the Partnership in connection with any tax audit or judicial review proceeding to the extent permitted by applicable law or regulations.

The taking of any action and the incurring of any expense by the tax matters partner in connection with any such proceeding, except to the extent required by law, is a matter in the sole and absolute discretion of the tax matters partner and the provisions relating to indemnification of the General Partner set forth in Section 7.7 of this Agreement shall be fully applicable to the tax matters partner in its capacity as such.

C. The tax matters partner shall receive no compensation for its services. All third party costs and expenses incurred by the tax matters partner in performing his duties as such (including legal and accounting fees) shall be borne by the Partnership. Nothing herein shall be construed to restrict the Partnership from engaging an accounting firm to assist the tax matters partner in discharging his duties hereunder, so long as the compensation paid by the Partnership for such services is reasonable.

#### SECTION 10.4 ORGANIZATIONAL EXPENSES

The Partnership shall elect to deduct expenses, if any, incurred by it in organizing the Partnership ratably over a sixty (60) month period as provided in Section 709 of the Code.

#### SECTION 10.5 WITHHOLDING

Each Limited Partner hereby authorizes the Partnership to withhold from or pay on behalf of or with respect to such Limited Partner any amount of federal, state, local, or foreign taxes that the General Partner determines that the Partnership is required to withhold or pay with respect to any amount distributable

or allocable to such Limited Partner pursuant to this Agreement, including, without limitation, any taxes required to be withheld or paid by the Partnership pursuant to Section 1441, 1442, 1445, or 1446 of the Code. Any amount paid on behalf of or with respect to a Limited Partner shall constitute a loan by the Partnership to such Limited Partner, which loan shall be repaid by such Limited Partner within fifteen (15) days after notice from the General Partner that such payment must be made unless (i) the Partnership withholds such payment from a distribution which would otherwise be made to the Limited Partner or (ii) the General Partner determines, in its sole and absolute discretion, that such payment may be satisfied out of the available funds of the Partnership which would, but for such payment, be distributed to the Limited Partner. Any amounts withheld pursuant to the foregoing clauses (i) or (ii) shall be treated as having been distributed to such Limited Partner. Each Limited Partner hereby unconditionally and irrevocably grants to the Partnership a security interest in such Limited Partner's Partnership Interest to secure such Limited Partner's obligation to pay to the Partnership any amounts required to be paid pursuant to this Section 10.5. In the event that a Limited Partner fails to pay any amounts owed to the Partnership pursuant to this Section 10.5 when due, the General Partner may, in its sole and absolute discretion, elect to make the payment to the Partnership on behalf of such defaulting Limited Partner, and in such event shall be deemed to have loaned such amount to such defaulting Limited Partner and shall succeed to all rights and remedies of the Partnership as against such defaulting Limited Partner (including, without limitation, the right to receive distributions). Any amounts payable by a Limited Partner hereunder shall bear interest at the base rate on corporate loans at large United States money center commercial banks, as published from time to time in the Wall Street Journal, plus four percentage points (but not higher than the maximum lawful rate) from the date such amount is due (i.e., fifteen (15) days after demand) until such amount is paid in full. Each Limited Partner shall take such actions as the Partnership or the General Partner shall request in order to perfect or enforce the security interest created hereunder.

ARTICLE 11  
TRANSFERS AND WITHDRAWALS

SECTION 11.1      TRANSFER

A.            The term "transfer," when used in this Article 11 with respect to a Partnership Unit, shall be deemed to refer to a transaction by which the General Partner purports to assign its General Partner Interest to another Person or by which a Limited Partner purports to assign its Limited Partnership Interest to another Person, and includes a sale, assignment, gift, pledge, encumbrance, hypothecation, mortgage, exchange or any other disposition by law or otherwise. The term "transfer" when used in this Article 11 does not include any redemption of

- 43 -

Partnership Units by a Limited Partner or acquisition of Partnership Units from a Limited Partner by the General Partner pursuant to Section 8.6.

B.            No Partnership Interest shall be transferred, in whole or in part, except in accordance with the terms and conditions set forth in this Article 11. Any transfer or purported transfer of a Partnership Interest not made in accordance with this Article 11 shall be null and void.

SECTION 11.2      TRANSFER OF GENERAL PARTNER'S  
PARTNERSHIP INTEREST

A.            The General Partner may not transfer any of its General Partner Interest or Limited Partnership Interests or withdraw as General Partner except as provided in Section 11.2.B or in connection with a transaction described in Section 11.2.C or 11.2.D.

B.            The General Partner may transfer Limited Partnership Interests held by it either to the Partnership in accordance with Section 7.5.B hereof or to a purported holder of REIT Shares in accordance with the provisions of Article 5 of the Articles of Incorporation.

C.            Except as otherwise provided in Section 11.2.D, the General Partner shall not engage in any merger, consolidation or other business combination with or into another Person or a sale of all or substantially all of its assets (a "Transaction"), unless either (i) the Board of Directors of the General Partner determines in good faith that the Transaction likely will not have a material adverse effect on the value of the Limited Partnership Interests (determined without regard to any tax consequences to Limited Partners as a result of the Transaction) or (ii) a majority of the Percentage Interests of the Limited Partners, excluding Limited Partnership Interests held by the General Partner, Consents to the Transaction.

D.            Notwithstanding Section 11.2.C, the General Partner may engage in a merger, consolidation or other business combination if (i) substantially all of the consideration that stockholders of the General Partner are retaining or receiving in connection with the Transaction is a common equity interest in the surviving company and (ii) the surviving company (if not the General Partner) is assuming all of the obligations of the General Partner under the Partnership Agreement.

SECTION 11.3      LIMITED PARTNERS' RIGHTS TO TRANSFER

A.            Subject to the provisions of Sections 11.3.C, 11.3.D, 11.3.E and 11.4, a Limited Partner (other than the General Partner) may transfer, with or

- 44 -

50

without the consent of the General Partner, all or any portion of his Partnership Interest, or any of such Limited Partner's rights as a Limited Partner, provided that prior written notice of such proposed transfer is delivered to the General Partner.

B.            If a Limited Partner is subject to Incapacity, the executor, administrator, trustee, committee, guardian, conservator or receiver of such Limited Partner's estate shall have all the rights of a Limited Partner, but not more rights than those enjoyed by other Limited Partners for the purpose of settling or managing the estate and such power as the Incapacitated Limited Partner possessed to transfer all or any part of his or its interest in the Partnership. The Incapacity of a Limited Partner, in and of itself, shall not dissolve or terminate the Partnership.

C.            The General Partner may prohibit any transfer by a



Limited Partner of his Partnership Units if, in the opinion of legal counsel to the Partnership, such transfer would require filing of a registration statement under the Securities Act of 1933 or would otherwise violate any federal or state securities laws or regulations applicable to the Partnership or the Partnership Unit.

D. No transfer by a Limited Partner of his Partnership Units may be made to any Person if (i) in the opinion of legal counsel for the Partnership, it would result in the Partnership being treated as an association taxable as a corporation, or (ii) such transfer is effectuated through an "established securities market" or a "secondary market (or the substantial equivalent thereof)" within the meaning of Section 7704 of the Code.

E. No transfer of any Partnership Units may be made to a lender to the Partnership or any Person who is related (within the meaning of Section 1.752-4(b) of the Regulations) to any lender to the Partnership whose loan constitutes a Nonrecourse Liability without the consent of the General Partner, in its sole and absolute discretion, provided that as a condition to such consent the lender will be required to enter into an arrangement with the Partnership and the General Partner to exchange or redeem for the Redemption Amount any Partnership Units in which a security interest is held simultaneously with the time at which such lender would be deemed to be a partner in the Partnership for purposes of allocating liabilities to such lender under Section 752 of the Code.

#### SECTION 11.4 SUBSTITUTED LIMITED PARTNERS

A. No Limited Partner shall have the right to substitute a transferee as a Limited Partner in his place. The General Partner shall, however, have the right to consent to the admission of a transferee of the interest of a Limited Partner pursuant to this Section 11.4 as a Substituted Limited Partner, which consent may be given or withheld by the General Partner in its sole and

- 45 -

51

absolute discretion. The General Partner's failure or refusal to permit a transferee of any such interests to become a Substituted Limited Partner shall not give rise to any cause of action against the Partnership or any Partner.

B. A transferee who has been admitted as a Substituted Limited Partner in accordance with this Article 11 shall have all the rights and powers and be subject to all the restrictions and liabilities of a Limited Partner under this Agreement.

C. Upon the admission of a Substituted Limited Partner, the General Partner shall amend Exhibit A to reflect the name, address, number of Partnership Units, and Percentage Interest of such Substituted Limited Partner and to eliminate or adjust, if necessary, the name, address and interest of the predecessor of such Substituted Limited Partner.

#### SECTION 11.5 ASSIGNEES

If the General Partner, in its sole and absolute discretion, does not consent to the admission of any permitted transferee under Section 11.3 as a Substituted Limited Partner, as described in Section 11.4, such transferee shall be considered an Assignee for purposes of this Agreement. An

Assignee shall be entitled to all the rights of an assignee of a limited partnership interest under the Act, including the right to receive distributions from the Partnership and the share of Net Income, Net Losses, gain, loss and Recapture Income attributable to the Partnership Units assigned to such transferee, but shall not be deemed to be a holder of Partnership Units for any other purpose under this Agreement, and shall not be entitled to vote such Partnership Units in any matter presented to the Limited Partners for a vote (such Partnership Units being deemed to have been voted on such matter in the same proportion as all Partnership Units held by Limited Partners are voted). In the event any such transferee desires to make a further assignment of any such Partnership Units, such transferee shall be subject to all the provisions of this Article 11 to the same extent and in the same manner as any Limited Partner desiring to make an assignment of Partnership Units.

#### SECTION 11.6 GENERAL PROVISIONS

A. No Limited Partner may withdraw from the Partnership other than as a result of a permitted transfer of all of such Limited Partner's Partnership Units in accordance with this Article 11 or pursuant to redemption of all of its Partnership Units under Section 8.6.

B. Any Limited Partner who shall transfer all of his Partnership Units in a transfer permitted pursuant to this Article 11 or pursuant to redemption of all of its Partnership Units under Section 8.6 shall cease to be a Limited Partner.

- 46 -

52

C. Transfers pursuant to this Article 11 may only be made on the first day of a fiscal quarter of the Partnership, unless the General Partner otherwise agrees.

D. If any Partnership Interest is transferred during any quarterly segment of the Partnership's fiscal year in compliance with the provisions of this Article 11 or redeemed or transferred pursuant to Section 8.6, Net Income, Net Losses, each item thereof and all other items attributable to such interest (other than Guaranteed Payments payable under Section 5.2) for such fiscal year shall be divided and allocated between the transferor Partner and the transferee Partner by taking into account their varying interests during the fiscal year in accordance with Section 706(d) of the Code, using the interim closing of the books method. Solely for purposes of making such allocations, each of such items for the calendar month in which the transfer or redemption occurs shall be allocated to the Person who is a Partner as of midnight on the last day of said month. All distributions of Available Cash and payments of Guaranteed Payments with respect to which the Partnership Record Date is before the date of such transfer or redemption shall be made to the transferor Partner, and all distributions of Available Cash and payments of Guaranteed Payments thereafter shall be made to the transferee Partner.

#### ARTICLE 12 ADMISSION OF PARTNERS

##### SECTION 12.1 ADMISSION OF SUCCESSOR GENERAL PARTNER

A successor to all of the General Partner's General Partner Interest pursuant to Section 11.2 hereof who is proposed to be admitted as a successor General Partner shall be admitted to the Partnership as the General Partner, effective upon such transfer. Any such transferee shall carry on the business of the Partnership without dissolution. In each case, the admission shall be subject to the successor General Partner executing and delivering to the Partnership an acceptance of all of the terms and conditions of this Agreement and such other documents or instruments as may be required to effect the admission.

#### SECTION 12.2 ADMISSION OF ADDITIONAL LIMITED PARTNERS

A. A Person who makes a Capital Contribution to the Partnership in accordance with this Agreement or who exercises an option to receive Partnership Units shall be admitted to the Partnership as an Additional Limited Partner only upon furnishing to the General Partner (i) evidence of acceptance in form satisfactory to the General Partner of all of the terms and conditions of this Agreement, including, without limitation, the power of attorney granted in Section 2.4 hereof and (ii) such other documents or instruments as may be required

- 47 -

53

in the discretion of the General Partner in order to effect such Person's admission as an Additional Limited Partner.

B. Notwithstanding anything to the contrary in this Section 12.2, no Person shall be admitted as an Additional Limited Partner without the consent of the General Partner, which consent may be given or withheld in the General Partner's sole and absolute discretion. The admission of any Person as an Additional Limited Partner shall become effective on the date upon which the name of such Person is recorded on the books and records of the Partnership, following the consent of the General Partner to such admission.

#### SECTION 12.3 AMENDMENT OF AGREEMENT AND CERTIFICATE OF LIMITED PARTNERSHIP

For the admission to the Partnership of any Partner, the General Partner shall take all steps necessary and appropriate under the Act to amend the records of the Partnership and, if necessary, to prepare as soon as practical an amendment of this Agreement (including an amendment of Exhibit A) and, if required by law, shall prepare and file an amendment to the Certificate and may for this purpose exercise the power of attorney granted pursuant to Section 2.4 hereof.

### ARTICLE 13 DISSOLUTION AND LIQUIDATION

#### SECTION 13.1 DISSOLUTION

The Partnership shall not be dissolved by the admission of Substituted Limited Partners or Additional Limited Partners or by the admission of a successor General Partner in accordance with the terms of this Agreement. Upon the withdrawal of the General Partner, any successor General Partner shall continue the business of the Partnership. The Partnership shall dissolve, and

its affairs shall be wound up, upon the first to occur of any of the following ("Liquidating Events"):

A. the expiration of its term as provided in Section 2.5 hereof;

B. an event of withdrawal of the General Partner, as defined in the Act (other than an event of bankruptcy), unless, within ninety (90) days after the withdrawal all the remaining Partners agree in writing to continue the business of the Partnership and to the appointment, effective as of the date of withdrawal, of a substitute General Partner;

- 48 -

54

C. from and after the Effective Date through December 31, 2012, an election to dissolve the Partnership made by the General Partner, unless any Original Limited Partner who holds one or more Original Limited Partnership Units objects in writing to such dissolution within thirty (30) days of receiving written notice of such election from the General Partner;

D. from and after January 1, 2013 through December 31, 2042, an election to dissolve the Partnership made by the General Partner, unless Original Limited Partners holding at least five percent (5%) of the Original Limited Partnership Units object in writing to such dissolution within thirty (30) days of receiving written notice of such election from the General Partner;

E. on or after January 1, 2043, an election to dissolve the Partnership made by the General Partner, in its sole and absolute discretion;

F. entry of a decree of judicial dissolution of the Partnership pursuant to the provisions of the Act;

G. the sale of all or substantially all of the assets and properties of the Partnership; or

H. a final and non-appealable judgment is entered by a court with appropriate jurisdiction ruling that the General Partner is bankrupt or insolvent, or a final and non-appealable order for relief is entered by a court with appropriate jurisdiction against the General Partner, in each case under any federal or state bankruptcy or insolvency laws as now or hereafter in effect, unless prior to the entry of such order or judgment all of the remaining Partners agree in writing to continue the business of the Partnership and to the appointment, effective as of a date prior to the date of such order or judgment, of a substitute General Partner.

#### SECTION 13.2 WINDING UP

A. Upon the occurrence of a Liquidating Event, the Partnership shall continue solely for the purposes of winding up its affairs in an orderly manner, liquidating its assets, and satisfying the claims of its creditors and Partners. No Partner shall take any action that is inconsistent with, or not necessary to or appropriate for, the winding up of the Partnership's business and affairs. The General Partner (or, in the event there is no remaining General Partner, any Person elected by a majority in interest of the Limited Partners (the "Liquidator")) shall be responsible for

overseeing the winding up and dissolution of the Partnership and shall take full account of the Partnership's liabilities and property and the Partnership property shall be liquidated as promptly as is consistent with obtaining the fair value thereof, and the proceeds therefrom (which

- 49 -

55

may, to the extent determined by the General Partner, include shares of stock in the General Partner) shall be applied and distributed in the following order:

- (1) First, to the payment and discharge of all of the Partnership's debts and liabilities to creditors other than the Partners;
- (2) Second, to the payment and discharge of all of the Partnership's debts and liabilities to the General Partner (other than the Guaranteed Payment);
- (3) Third, to the payment and discharge of all of the Partnership's debts and liabilities to the Partners (other than the Guaranteed Payment);
- (4) Fourth, to the payment of the Guaranteed Payment; and
- (5) The balance, if any, to the General Partner and Limited Partners in accordance with their Capital Accounts, after giving effect to all contributions, distributions, and allocations for all periods.

The General Partner shall not receive any additional compensation for any services performed pursuant to this Article 13.

B. Notwithstanding the provisions of Section 13.2.A hereof which require liquidation of the assets of the Partnership, but subject to the order of priorities set forth therein, if prior to or upon dissolution of the Partnership the Liquidator determines that an immediate sale of part or all of the Partnership's assets would be impractical or would cause undue loss to the Partners, the Liquidator may, in its sole and absolute discretion, defer for a reasonable time the liquidation of any assets except those necessary to satisfy liabilities of the Partnership (including to those Partners as creditors) and/or distribute to the Partners, in lieu of cash, as tenants in common and in accordance with the provisions of Section 13.2.A hereof, undivided interests in such Partnership assets as the Liquidator deems not suitable for liquidation. Any such distributions in kind shall be made only if, in the good faith judgment of the Liquidator, such distributions in kind are in the best interest of the Partners, and shall be subject to such conditions relating to the disposition and management of such properties as the Liquidator deems reasonable and equitable and to any agreements governing the operation of such properties at such time. The Liquidator shall determine the fair market value of any property distributed in kind using such reasonable method of valuation as it may adopt.

SECTION 13.3 COMPLIANCE WITH TIMING REQUIREMENTS  
OF REGULATIONS

In the event the Partnership is "liquidated" within the meaning of Regulations Section 1.704-1(b)(2)(ii)(g), distributions shall be made pursuant to this Article 13 to the General Partner and Limited Partners who have positive Capital Accounts in compliance with Regulations Section 1.704-1(b)(2)(ii)(b)(2). If any Partner has a deficit balance in his Capital Account (after giving effect to all contributions, distributions and allocations for all taxable years, including the year during which such liquidation occurs), such Partner shall have no obligation to make any contribution to the capital of the Partnership with respect to such deficit, and such deficit shall not be considered a debt owed to the Partnership or to any other Person for any purpose whatsoever. In the discretion of the General Partner, a pro rata portion of the distributions that would otherwise be made to the General Partner and Limited Partners pursuant to this Article 13 may be:

(A) distributed to a trust established for the benefit of the General Partner and Limited Partners for the purposes of liquidating Partnership assets, collecting amounts owed to the Partnership, and paying any contingent or unforeseen liabilities or obligations of the Partnership or of the General Partner arising out of or in connection with the Partnership. The assets of any such trust shall be distributed to the General Partner and Limited Partners from time to time, in the reasonable discretion of the General Partner, in the same proportions as the amount distributed to such trust by the Partnership would otherwise have been distributed to the General Partner and Limited Partners pursuant to this Agreement; or

(B) withheld to provide a reasonable reserve for Partnership liabilities (contingent or otherwise) and to reflect the unrealized portion of any installment obligations owed to the Partnership, provided that such withheld amounts shall be distributed to the General Partner and Limited Partners as soon as practicable.

SECTION 13.4 DEEMED DISTRIBUTION AND RECONTRIBUTION

Notwithstanding any other provision of this Article 13, in the event the Partnership is liquidated within the meaning of Regulations Section 1.704-1(b)(2)(ii)(g) but no Liquidating Event has occurred, the Partnership's property shall not be liquidated, the Partnership's liabilities shall not be paid or discharged, and the Partnership's affairs shall not be wound up. Instead, the Partnership shall be deemed to have distributed the Property in kind to the General Partner and Limited Partners, who shall be deemed to have assumed and taken such property subject to all Partnership liabilities, all in accordance with their respective Capital Accounts. Immediately thereafter, the General Partner and

Limited Partners shall be deemed to have recontributed the Partnership property in kind to the Partnership, which shall be deemed to have assumed and taken such property subject to all such liabilities.

SECTION 13.5 RIGHTS OF LIMITED PARTNERS

Except as otherwise provided in this Agreement, each Limited Partner shall look solely to the assets of the Partnership for the return of his Capital Contribution and shall have no right or power to demand or receive property other than cash from the Partnership. No Limited Partner shall have priority over any other Limited Partner as to the return of his Capital Contributions, distributions, or allocations.

SECTION 13.6 NOTICE OF DISSOLUTION

In the event a Liquidating Event occurs or an event occurs that would, but for provisions of Section 13.1, result in a dissolution of the Partnership, the General Partner shall, within thirty (30) days thereafter, provide written notice thereof to each of the Partners and to all other parties with whom the Partnership regularly conducts business (as determined in the discretion of the General Partner) and shall publish notice thereof in a newspaper of general circulation in each place in which the Partnership regularly conducts business (as determined in the discretion of the General Partner).

SECTION 13.7 CANCELLATION OF CERTIFICATE OF LIMITED PARTNERSHIP

Upon the completion of the liquidation of the Partnership cash and property as provided in Section 13.2 hereof, the Partnership shall be terminated and the Certificate and all qualifications of the Partnership as a foreign limited partnership in jurisdictions other than the State of Delaware shall be canceled and such other actions as may be necessary to terminate the Partnership shall be taken.

SECTION 13.8 REASONABLE TIME FOR WINDING-UP

A reasonable time shall be allowed for the orderly winding-up of the business and affairs of the Partnership and the liquidation of its assets pursuant to Section 13.2 hereof, in order to minimize any losses otherwise attendant upon such winding-up, and the provisions of this Agreement shall remain in effect between the Partners during the period of liquidation.

- 52 -

58

SECTION 13.9 WAIVER OF PARTITION

Each Partner hereby waives any right to partition of the Partnership property.

ARTICLE 14  
AMENDMENT OF PARTNERSHIP AGREEMENT; MEETINGS

SECTION 14.1 AMENDMENTS

A. Amendments to this Agreement may be proposed by the

General Partner or by any Limited Partners holding twenty-five percent (25%) or more of the Partnership Interests. Following such proposal, the General Partner shall submit any proposed amendment to the Limited Partners. The General Partner shall seek the written vote of the Partners on the proposed amendment or shall call a meeting to vote thereon and to transact any other business that it may deem appropriate. For purposes of obtaining a written vote, the General Partner may require a response within a reasonable specified time, but not less than fifteen (15) days, and failure to respond in such time period shall constitute a vote which is consistent with the General Partner's recommendation with respect to the proposal. Except as provided in Section 14.1.B, 14.1.C or 14.1.D, a proposed amendment shall be adopted and be effective as an amendment hereto if it is approved by the General Partner and it receives the Consent of Partners holding a majority of the Percentage Interests of the Limited Partners (including Limited Partnership Interests held by the General Partner).

B. Notwithstanding Section 14.1.A, the General Partner shall have the power, without the consent of the Limited Partners, to amend this Agreement as may be required to facilitate or implement any of the following purposes:

- (1) to add to the obligations of the General Partner or surrender any right or power granted to the General Partner or any Affiliate of the General Partner for the benefit of the Limited Partners;
- (2) to reflect the admission, substitution, termination, or withdrawal of Partners in accordance with this Agreement;
- (3) to set forth the rights, powers, duties, and preferences of the holders of any additional Partnership Interests issued pursuant to Section 4.2.A or Section 4.2.B hereof;
- (4) to reflect a change that is of an inconsequential nature and does not adversely affect the Limited Partners in any material

- 53 -

59

respect, or to cure any ambiguity, correct or supplement any provision in this Agreement not inconsistent with law or with other provisions, or make other changes with respect to matters arising under this Agreement that will not be inconsistent with law or with the provisions of this Agreement; and

- (5) to satisfy any requirements, conditions, or guidelines contained in any order, directive, opinion, ruling or regulation of a federal or state agency or contained in federal or state law.

The General Partner will provide notice to the Limited Partners when any action under this Section 14.1.B is taken.

C. Notwithstanding Section 14.1.A hereof, this Agreement



shall not be amended without the Consent of each Partner adversely affected if such amendment would (i) convert a Limited Partner's interest in the Partnership into a general partner's interest, (ii) modify the limited liability of a Limited Partner, (iii) alter rights of the Partner to receive distributions pursuant to Article 5, or the allocations specified in Article 6 (except as permitted pursuant to Section 4.2 and Section 14.1.B(3) hereof), (iv) alter or modify the Redemption Right and REIT Shares Amount as set forth in Sections 8.6 and 11.2.B, and related definitions hereof, (v) cause the termination of the Partnership prior to the time set forth in Sections 2.5 or 13.1, or (vi) amend this Section 14.1.C. Further, no amendment may alter the restrictions on the General Partner's authority set forth in Section 7.3 without the Consent specified in that section.

D. Notwithstanding Section 14.1.A hereof, the General Partner shall not amend Section 4.2.B, 7.5, 7.6, 11.2 or 14.2 without the Consent of a majority of the Percentage Interests of the Limited Partners excluding Limited Partnership Interests held by the General Partner.

#### SECTION 14.2 MEETINGS OF THE PARTNERS

A. Meetings of the Partners may be called by the General Partner and shall be called upon the receipt by the General Partner of a written request by Limited Partners holding 25 percent or more of the Partnership Interests. The call shall state the nature of the business to be transacted. Notice of any such meeting shall be given to all Partners not less than seven days nor more than 30 days prior to the date of such meeting. Partners may vote in person or by proxy at such meeting. Whenever the vote or Consent of Partners is permitted or required under this Agreement, such vote or Consent may be given at a meeting of Partners or may be given in accordance with the procedure prescribed in Section 14.1 hereof. Except as otherwise expressly provided in this Agreement, the Consent of holders of a majority of the Percentage Interests shall control.

- 54 -

60

B. Any action required or permitted to be taken at a meeting of the Partners may be taken without a meeting if a written consent setting forth the action so taken is signed by a majority of the Percentage Interests of the Partners (or such other percentage as is expressly required by this Agreement). Such consent may be in one instrument or in several instruments, and shall have the same force and effect as a vote of a majority of the Percentage Interests of the Partners (or such other percentage as is expressly required by this Agreement). Such consent shall be filed with the General Partner. An action so taken shall be deemed to have been taken at a meeting held on the effective date so certified.

C. Each Limited Partner may authorize any Person or Persons to act for him by proxy on all matters in which a Limited Partner is entitled to participate, including waiving notice of any meeting, or voting or participating at a meeting. Every proxy must be signed by the Limited Partner or his attorney-in-fact. No proxy shall be valid after the expiration of 11 months from the date thereof unless otherwise provided in the proxy. Every proxy shall be revocable at the pleasure of the Limited Partner executing it.

D. Each meeting of Partners shall be conducted by the General Partner or such other Person as the General Partner may appoint pursuant to such rules for the conduct of the meeting as the General Partner or

such other Person deems appropriate.

ARTICLE 15  
GENERAL PROVISIONS

SECTION 15.1 ADDRESSES AND NOTICE

Any notice, demand, request or report required or permitted to be given or made to a Partner or Assignee under this Agreement shall be in writing and shall be deemed given or made when delivered in person or when sent by first class United States mail or by other means of written communication to the Partner or Assignee at the address set forth in Exhibit A or such other address as the Partners shall notify the General Partner in writing.

SECTION 15.2 TITLES AND CAPTIONS

All article or section titles or captions in this Agreement are for convenience only. They shall not be deemed part of this Agreement and in no way define, limit, extend or describe the scope or intent of any provisions hereof. Except as specifically provided otherwise, references to "Articles" and "Sections" are to Articles and Sections of this Agreement.

- 55 -

61

SECTION 15.3 PRONOUNS AND PLURALS

Whenever the context may require, any pronoun used in this Agreement shall include the corresponding masculine, feminine or neuter forms, and the singular form of nouns, pronouns and verbs shall include the plural and vice versa.

SECTION 15.4 FURTHER ACTION

The parties shall execute and deliver all documents, provide all information and take or refrain from taking action as may be necessary or appropriate to achieve the purposes of this Agreement.

SECTION 15.5 BINDING EFFECT

This Agreement shall be binding upon and inure to the benefit of the parties hereto and their heirs, executors, administrators, successors, legal representatives and permitted assigns.

SECTION 15.6 CREDITORS

None of the provisions of this Agreement shall be for the benefit of, or shall be enforceable by, any creditor of the Partnership.

SECTION 15.7 WAIVER

No failure by any party to insist upon the strict performance of any covenant, duty, agreement or condition of this Agreement or to exercise any right or remedy consequent upon a breach thereof shall constitute waiver of any such breach or any other covenant, duty, agreement or condition.

SECTION 15.8 COUNTERPARTS

This Agreement may be executed in counterparts, all of which together shall constitute one agreement binding on all the parties hereto, notwithstanding that all such parties are not signatories to the original or the same counterpart. Each party shall become bound by this Agreement immediately upon affixing its signature hereto.

- 56 -

62

SECTION 15.9 APPLICABLE LAW

This Agreement shall be construed in accordance with and governed by the laws of the State of Delaware, without regard to the principles of conflicts of law.

SECTION 15.10 INVALIDITY OF PROVISIONS

If any provision of this Agreement is or becomes invalid, illegal or unenforceable in any respect, the validity, legality and enforceability of the remaining provisions contained herein shall not be affected thereby.

- 57 -

63

IN WITNESS WHEREOF, the parties hereto have executed this Agreement as of the date first written above.

CARR REALTY CORPORATION

By: /s/ BRIAN K. FIELDS

-----  
Brian K. Fields  
Chief Financial Officer

LIMITED PARTNERS:

By: Carr Realty Corporation as  
Attorney-in-Fact for the  
Limited Partners

By: /s/ BRIAN K. FIELDS

EXHIBIT G  
CLASS B UNITS

Notwithstanding any other provision of the Partnership Agreement, including the provisions of Exhibits A through F thereto, Class B Units will have the following designations, preferences, rights, powers and duties:

- (1) On December 21, 1996, each Class B Unit will be automatically converted into one Class A Unit, which will have all the rights and privileges of Class A Units provided in the Partnership Agreement.
- (2) Except as provided in the three succeeding sentences, no distributions of Available Cash as described in Section 5.1 will be made with respect to the Class B Units while such Class B Units are outstanding. If the amount of cash to be distributed to holders of Class A Units for any period (i) exceeds the amount of the distribution made with respect to the immediately preceding quarter plus three (3) percent (determined on a per-unit basis) and (ii) includes amounts that are attributable to the proceeds from a sale, exchange, disposition, or refinancing of Partnership property for the current or any prior period ("Capital Proceeds"), the Class B Units will share in the distribution for the period, but only to the extent of their percentage share of the Capital Proceeds. A distribution will include amounts attributable to Capital Proceeds if, and only if, the amount of the distribution exceeds Carr Realty, L.P.'s funds from operations (as defined by the Board of Governors of NAREIT as of December 31, 1993), which is disclosed in Carr Realty, L.P.'s quarterly earnings release, for the period with respect to which the distribution is made. Nothing in this provision shall be construed as requiring Carr to make a distribution to holders of Class B Units unless and until a distribution that includes amounts attributable to Capital Proceeds, as defined above, is made to holders of the Class A Units.
- (3) No Guaranteed Payments as described in Section 5.2 will be made with respect to Class B Units while such Class B Units are outstanding.
- (4) A Capital Account will be maintained with respect to the Class B Units. The aggregate Capital Account for

the Class B Units initially shall be \$11,935,942, which is equal to the Agreed Value of the property contributed in exchange for the Class B Units.

65

- (5) No allocations of income and loss will be made to the Capital Accounts of the Class B Units, other than allocations of income and loss made to such Capital Accounts to the extent necessary so as to cause the balance of such Capital Accounts, relative to the aggregate balance of all the Capital Accounts for all Units, to correspond to the Percentage Interest in the Partnership represented by the Class B Units.
- (6) No allocations of Partnership items of income, gain, loss and deduction will be made for tax purposes with respect to the Class B Units, except as may be required by section 704(c) of the Code and the corresponding provisions of this Agreement. For purposes of the Section 704(c) allocations attributable to the property transferred in exchange for the Class B Units, the Partnership shall use a modified "traditional method" whereby special curative allocations of gain on the disposition of the property are made to a Partner holding the Class B Units. The allocations of gain on the disposition of the property, including the curative allocation, to the Partner holding the Class B Units shall be equal to the excess of (i) the lesser of (a) the gain recognized upon the disposition and (b) the Unrealized Gain with respect to the property at the time of its contribution to the Partnership over (ii) the sum of the depreciation and amortization deductions actually claimed by the Partnership for federal income tax reporting purposes with respect to the adjusted tax basis of the property existing at the time of its contribution to the Partnership.
- (7) Partners will not have the Redemption Right under Section 8.6 with respect to their Class B Units.
- (8) To the extent not inconsistent with this Exhibit G, Class B Units will have the designations, preferences, rights, powers and duties of the other Partnership Units as described in the Partnership Agreement, including Exhibits A through F.

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THIS SCHEDULE CONTAINS SUMMARY FINANCIAL INFORMATION EXTRACTED FROM CARRAMERICA REALTY CORPORATION AND SUBSIDIARIES CONDENSED CONSOLIDATED BALANCE SHEET AS OF MARCH 31, 1996 AND FROM CARRAMERICA REALTY CORPORATION AND SUBSIDIARIES CONDENSED CONSOLIDATED STATEMENT OF OPERATIONS FOR THE THREE MONTHS ENDED MARCH 31, 1996.

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<F1>Notes & accounts receivable are presented net of allowance for doubtful accounts as the allowance is immaterial.  
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