

SECURITIES AND EXCHANGE COMMISSION

FORM 10-K405

Annual report pursuant to section 13 and 15(d), Regulation S-K Item 405

Filing Date: **1999-03-26** | Period of Report: **1998-12-31**  
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FILER

**FIRST CAPITAL INCOME PROPERTIES LTD SERIES XI**

CIK: **771983** | IRS No.: **363364279** | State of Incorporation: **IL** | Fiscal Year End: **1231**  
Type: **10-K405** | Act: **34** | File No.: **000-15538** | Film No.: **99574416**  
SIC: **6500** Real estate

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UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549-1004

FORM 10-K

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

For the fiscal year ended December 31, 1998

OR

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

For the transition period from to

Commission File Number 0-15538

First Capital Income Properties, Ltd. - Series XI

(Exact name of registrant as specified in its charter)

Illinois

36-3364279

(State or other jurisdiction of  
incorporation or organization)

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

Two North Riverside Plaza,  
Suite 1000, Chicago, Illinois

60606-2607

(Address of principal executive offices)

(Zip Code)

Registrant's telephone number,  
including area code

(312) 207-0020

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

NONE

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

Limited Partnership Assignee Units

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

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

Documents incorporated by reference:

The First Amended and Restated Certificate and Agreement of Limited Partnership filed as Exhibit A to the definitive Prospectus dated September 12, 1985, included in the Registrant's Registration Statement on Form S-11 (Registration No. 2-98749), is incorporated herein by reference in Part IV of this report.

Exhibit Index - Page A-1

PART I

ITEM 1. BUSINESS

The registrant, First Capital Income Properties, Ltd. - Series XI (the

"Partnership"), is a limited partnership organized in 1985 under the Uniform Limited Partnership Act of the State of Illinois. The Partnership sold 57,621 Limited Partnership Assignee Units (the "Units") to the public from September 1985 to March 1987 pursuant to a Registration Statement on Form S-11 filed with the Securities and Exchange Commission (Registration Statement No. 2-98749). Capitalized terms used in this report have the same meaning as those terms have in the Partnership's Registration Statement.

The Partnership was formed to invest primarily in existing commercial income-producing real estate, such as shopping centers, warehouses and office buildings, and, to a lesser extent, in other types of commercial, income-producing real estate. From May 1986 to September 1989, the Partnership: 1) made one real property investment; 2) purchased 50% interests in four joint ventures which were each formed with Affiliated partnerships for the purpose of acquiring a 100% interest in certain real property; 3) purchased 50% interests in four separate joint ventures which were each formed with Affiliated partnerships for the purpose of acquiring a preferred majority interest in certain real property and 4) purchased a 70% preferred majority undivided interest in a joint venture with an unaffiliated third party that was formed for the purpose of acquiring certain real property. The joint ventures, prior to dissolution, are operated under the common control of First Capital Financial Corporation (the "General Partner"). Through December 31, 1998, the Partnership, with its respective joint venture partners, has dissolved two 50% joint ventures and the four joint ventures with 50% preferred majority interests in real property as a result of the sales of the real properties. In addition, the Partnership sold a 50% joint venture interest to an Affiliated partner.

Property management services for certain of the Partnership's real estate investments are provided by third-party real estate management companies for fees calculated as a percentage of gross rents received from the properties. In addition, an Affiliate of the General Partner provides property management services for fees calculated as a percentage of gross rents received for one of the Partnership's office properties. Affiliates of the General Partner provide property supervisory services for all of the Partnership's properties.

The real estate business is highly competitive. The results of operations of the Partnership will depend upon the availability of suitable tenants, real estate market conditions and general economic conditions which may impact the success of these tenants. Properties owned by the Partnership frequently compete for tenants with similar properties owned by others.

As of March 1, 1999, there were 26 employees at the Partnership's properties for on-site property maintenance and administration.

ITEM 2. PROPERTIES (a) (b)

As of December 31, 1998, the Partnership owned directly or through joint ventures, the following three properties, all of which were owned in fee simple and encumbered by mortgages. For details of the material terms of the mortgages, refer to Note 4 of Notes to Financial Statements.

<TABLE>  
<CAPTION>

Property Name	Location	Net Leasable Sq. Footage	Number of Tenants (c)
<b>&lt;S&gt;</b>			
<b>Shopping Center:</b>			
Marquette Mall and Office Building	Michigan City, Indiana	398,104	87 (1)
<b>Office Buildings:</b>			
Burlington Office Center I, II and III (d)	Ann Arbor, Michigan	173,215	33 (4)
Prentice Plaza (50%)	Englewood, Colorado	157,311	32 (1)

- a) For a discussion of significant operating results and major capital expenditures planned for the Partnership's properties refer to Item 7 - Management's Discussion and Analysis of Financial Condition and Results of Operations.
- b) For federal income tax purposes, the Partnership depreciates the portion of the acquisition costs of its properties allocable to real property (exclusive of land), and all improvements thereafter, over useful lives ranging from 19 years to 40 years, utilizing either the Accelerated Cost Recovery System ("ACRS") or straight-line method. The Partnership's portion of real estate taxes for Marquette Mall and Office Building ("Marquette"),

Burlington Office Center I, II and III ("Burlington") and Prentice Plaza was \$606,800, \$448,200 and \$233,100, respectively, for the year ended December 31, 1998. In the opinion of the General Partner, the Partnership's properties are adequately insured and serviced by all necessary utilities.

- c) Represents the total number of tenants as well as the number of tenants, in parenthesis, that individually occupy more than 10% of the net leasable square footage of the property.
- d) The Partnership owns a 70% preferred majority undivided interest in a joint venture which owns this property.

ITEM 2. PROPERTIES (Continued)

The following table presents each of the Partnership's property's occupancy rates as of December 31 for each of the last five years:

Property Name	1998	1997	1996	1995	1994
Marquette	82%	80%	83%	83%	79%
Burlington	88%	97%	96%	78%	91%
Prentice Plaza	100%	95%	98%	99%	97%

The amounts in the following table represent each of the Partnership's property's average annual rental rate per square foot for each of the last five years ended December 31 and were computed by dividing each property's base rental revenues by its average occupied square footage:

Property Name	1998	1997	1996	1995	1994
Marquette	\$ 7.08	\$ 7.17	\$ 6.90	\$ 6.74	\$ 6.85
Burlington	\$17.83	\$17.58	\$17.32	\$18.04	\$17.23
Prentice Plaza	\$17.48	\$15.68	\$14.91	\$14.31	\$13.65

ITEM 2. PROPERTIES (Continued)

The following table summarizes the principal provisions of the leases for each of the tenants which occupy ten percent or more of the leasable square footage at each of the Partnership's properties:

	Partnership's Share of per annum Base Rents (a) for		Expiration Date of Lease	Percentage of Net Leasable Square Footage Occupied	Renewal Options (Renewal Options / Year)
	1999	Final Twelve Months of Lease			
Marquette					
J.C. Penney (department store)	\$ 139,000	\$ 139,000	1/31/2003	28%	4 / 5
Burlington					
Network Express, Inc.					

(telecommunications company)	\$	375,700	\$	375,700	7/31/2000	12%	1 / 3
Washtenaw Mortgage Company (mortgage broker)	\$	224,400		284,200	8/31/2001	10%	None
University of Michigan (spinal research)	\$	357,000	\$	375,100	9/30/2003	11%	None
Dykema Gossett (law firm)	\$	333,300	\$	338,800	3/31/2001	10%	1 / 5

Prentice Plaza  
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ANTEC (design, engineering, manufacturing and distribution of cable television products)	\$	113,200	\$	150,900	9/30/1999	11%	None
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</TABLE>

(a) The Partnership's share of per annum base rents for each of the tenants listed above for each of the years between 1999 and the final twelve months for each of the above leases is no lesser or greater than the amounts listed in the above table.

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ITEM 2. PROPERTIES (Continued)  
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The amounts in the following table represent the Partnership's portion of income from leases in the year of expiration (assuming no lease renewals) through the year ending December 31, 2008:

<TABLE>  
<CAPTION>

Year	Number of Tenants	Square Feet	Base Rents in Year of Expiration (a)	% of Total Base Rents (b)
<S>	<C>	<C>	<C>	<C>
1999	65	141,377	\$946,400	16.84%
2000	34	107,023	\$939,000	21.58%
2001	22	75,564	\$682,800	23.32%
2002	7	33,485	\$346,900	16.06%
2003	9	165,137	\$666,900	45.90%
2004	6	9,109	\$166,200	22.03%
2005	3	29,055	\$101,500	16.96%
2006	0	None	None	0%
2007	2	83,480	\$ 31,000	7.22%
2008	3	23,652	\$314,200	84.22%

</TABLE>

- a) Represents the amount of base rents to be collected each year on expiring leases.
- b) Represents the amount of base rents to be collected each year on expiring leases as a percentage of the Partnership's portion of the total base rents to be collected on leases in effect as of December 31, 1998.

ITEM 3. LEGAL PROCEEDINGS  
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(a & b) In July 1998, the Partnership was named as a defendant in a cost recovery action for a superfund site related to Marquette. In October 1998, the case against the Partnership was voluntarily dismissed by the plaintiff as a result of the Partnership demonstrating that all of the disposal activities predated the Partnership's ownership of Marquette.

With the exception of the above, the Partnership and its properties were not a party to, nor the subject of, any material pending legal proceedings, nor were any such proceedings terminated during the quarter ended December 31, 1998. Ordinary routine legal matters incidental to the business which was not deemed material were pursued during the quarter ended December 31, 1998.

ITEM 4. SUBMISSION OF MATTERS TO A VOTE OF SECURITY HOLDERS  
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(a, b, c & d) None.

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## PART II

## ITEM 5. MARKET FOR THE REGISTRANT'S EQUITY AND RELATED SECURITY HOLDER MATTERS

There has not been, nor is there expected to be, a public market for Units.

As of March 1, 1999, there were 4,532 Holders of Units.

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## ITEM 6. SELECTED FINANCIAL DATA

&lt;TABLE&gt;

&lt;CAPTION&gt;

	For the Years Ended December 31,				
	1998	1997	1996	1995	1994
<S>	<C>	<C>	<C>	<C>	<C>
Total revenues	\$ 9,134,200	\$10,926,100	\$11,264,700	\$10,436,500	\$ 10,995,500
Net income (loss)	\$ 214,100	\$ 1,280,900	\$ 241,900	\$ (7,553,400)	\$ (10,580,500)
Net income (loss) allocated to Limited Partners	None	None	None	\$ (5,330,200)	\$ (10,474,700)
Net income (loss) allocated to Limited Partners per Unit (57,621 Units outstanding)	None	None	None	\$ (92.50)	\$ (181.79)
Total assets	\$36,930,500	\$36,756,800	\$43,459,800	\$49,323,600	\$ 55,551,600
Mortgage loans payable	\$25,646,200	\$26,735,900	\$34,803,200	\$41,189,600	\$ 40,369,100
Front-End Fees loan payable to Affiliate (a)	\$ 8,295,200	\$ 8,295,200	\$ 8,295,200	\$ 8,295,200	\$ 8,295,200
OTHER DATA:					
Investment in commercial rental properties (net of accumulated depreciation and amortization)	\$31,663,000	\$32,428,200	\$40,962,400	\$46,724,100	\$ 52,648,100
Number of real property interests owned at December 31	3	3	4	5	5

&lt;/TABLE&gt;

(a) Excludes deferred interest payable.

The following table includes a reconciliation of Cash Flow (as defined in the Partnership Agreement) to cash flow provided by operating activities as determined by generally accepted accounting principles ("GAAP"):

&lt;TABLE&gt;

&lt;CAPTION&gt;

	For the Years Ended December 31,				
	1998	1997	1996	1995	1994
<S>	<C>	<C>	<C>	<C>	<C>
Cash Flow (deficit) (as defined in the Partnership Agreement) (a)	\$ 615,700	\$ 534,600	\$ 152,200	\$ (241,700)	\$ 18,900
Items of reconciliation:					
Principal payments on mortgage loans payable	1,089,700	653,700	923,200	630,100	551,700
Changes in current assets and liabilities:					
(Increase) decrease in current assets	(130,800)	48,200	64,100	(53,800)	304,900
Increase (decrease) in current liabilities	380,800	(256,800)	(31,500)	(100,700)	(125,600)
Net cash provided by operating activities	\$ 1,955,400	\$ 979,700	\$ 1,108,000	\$ 233,900	\$ 749,900
Net cash (used for) provided by investing activities	\$ (2,141,600)	\$ 6,925,100	\$ 4,810,400	\$ (1,227,500)	\$ 3,392,500
Net cash (used for)					

provided by financing  
activities \$ (421,200) \$ (7,580,200) \$ (5,877,100) \$ 712,600 \$ (3,981,900)

</TABLE>

(a) Cash Flow is defined in the Partnership Agreement as Partnership revenues earned from operations (excluding tenant deposits and proceeds from the sale, disposition or financing of any Partnership properties or the refinancing of any Partnership indebtedness), minus all expenses incurred (including Operating Expenses, payments of principal (other than balloon payments of principal out of Offering proceeds) and interest on any Partnership indebtedness, and any reserves of revenues from operations deemed reasonably necessary by the General Partner), except depreciation and amortization expenses and capital expenditures and lease acquisition expenditures.

The above selected financial data should be read in conjunction with the financial statements and the related notes appearing on pages A-1 through A-8 in this report and the supplemental schedule on pages A-9 and A-10.

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

The ordinary business of the Partnership is expected to pass through its life cycle in three phases: (i) the Offering of Units and investment in properties; (ii) the operation of properties and (iii) the sale or other disposition of properties.

Statements contained in this Management's Discussion and Analysis of Financial Condition and Results of Operations, which are not historical facts, may be forward-looking statements. Such statements are subject to certain risks and uncertainties, which could cause actual results to differ materially from those projected. Readers are cautioned not to place undue reliance on these forward-looking statements, which speak only as of the date hereof.

The Partnership commenced the Offering of Units on September 12, 1985 and began operations on December 3, 1985 after reaching the required minimum subscription level. On March 31, 1987, the Offering was Terminated upon the sale of 57,621 Units. From May 1986 to September 1989, the Partnership: 1) made one real property investment; 2) purchased 50% interests in four joint ventures which were each formed with Affiliated partnerships for the purpose of acquiring a 100% interest in certain real property; 3) purchased 50% interests in four separate joint ventures which were each formed with Affiliated partnerships for the purpose of acquiring a preferred majority interest in certain real property and 4) purchased a 70% preferred majority undivided interest in a joint venture with an unaffiliated third party that was formed for the purpose of acquiring certain real property.

One of the Partnership's objectives is to dispose of its properties when market conditions allow for the achievement of the maximum possible sales price. In 1993, the Partnership, in addition to being in the operation of properties phase, entered the disposition phase of its life cycle. During the disposition phase of the Partnership's life cycle, comparisons of operating results are complicated due to the timing and effect of property sales and dispositions. Components of the Partnership's operating results are generally expected to decline as real property interests are sold or disposed of since the Partnership no longer realizes income and incurs expenses from such real property interests. Through December 31, 1998 the Partnership, with its respective joint venture partners, has dissolved two joint ventures with a 50% interest in real property and the four joint ventures with 50% preferred majority interests in real property as a result of the sales of the real properties. In addition, the Partnership sold a 50% joint venture interest to an Affiliated partner.

OPERATIONS

The table below is a recap of certain operating results of each of the Partnership's properties for the years ended December 31, 1998, 1997 and 1996. The discussion following the table should be read in conjunction with the Financial Statements and Notes thereto appearing in this report.

<TABLE>  
<CAPTION>

Comparative Operating Results  
(a)  
For the Years Ended December 31,  
-----  
1998 1997 1996  
-----

<S>	<C>	<C>	<C>
MARQUETTE MALL AND OFFICE BUILDING			
Rental revenues	\$4,319,600	\$4,141,100	\$4,141,000

Property net income \$ 291,900 \$ 99,400 \$ 131,100

Average occupancy 81% 82% 83%

</TABLE>

<TABLE>

<CAPTION>

Comparative Operating Results  
(a)  
For the Years Ended December 31,

	1998	1997	1996
-----			
<S>	<C>	<C>	<C>
BURLINGTON OFFICE CENTER I, II AND III			
Rental revenues	\$3,075,400	\$3,231,700	\$2,766,400
-----			
Property net income (loss)	\$ 291,000	\$ 337,200	\$ (180,200)
-----			
Average occupancy	88%	96%	84%
-----			
PRENTICE PLAZA (50%)			
Rental revenues	\$1,468,600	\$1,253,500	\$1,270,700
-----			
Property net income (loss)	\$ 173,200	\$ (114,800)	\$ (19,900)
-----			
Average occupancy	96%	96%	99%
-----			
SOLD PROPERTIES (B)			
Rental revenues		\$ 570,000	\$2,208,100
-----			
Property net income		\$ 35,700	\$ 265,800
-----			

</TABLE>

(a) Excludes certain income and expense items which are either not directly related to individual property operating results such as interest income, interest expense on the Partnership's Front-End Fees loan and general and administrative expenses or are related to properties disposed of by the Partnership prior to the periods under comparison.

(b) Sold Properties includes the results of Regency Park Shopping Center ("Regency"), sold in 1997, and Sentry Park West Office Campus ("Sentry West"), sold in 1996. Property net income excludes the gains recorded on these sales (see Note 7 of Notes to Financial Statements for additional information).

COMPARISON OF THE YEAR ENDED DECEMBER 31, 1998 TO THE YEAR ENDED DECEMBER 31, 1997

Net income decreased by \$1,066,800 for the year ended December 31, 1998 when compared to the year ended December 31, 1997. The decrease was primarily due to the 1997 gain recorded on the sale of Regency. The decrease was also due to the absence of operating results in 1998 due to the sale of Regency. The decrease was partially offset by improved operating results at Marquette Mall and Office Building ("Marquette") and Prentice Plaza.

Net results, exclusive of Sold Properties, changed from \$(353,600) for the year ended December 31, 1997 to \$214,100 for the year ended December 31, 1998. The change was primarily due to the improved operating results at Marquette and Prentice Plaza. The change was also due to an increase in interest earned on the Partnership's short-term investments, which was due to an increase in cash available for investment. The change was partially offset by diminished operating results at Burlington Office Center I, II & III ("Burlington").

The following comparative discussion excludes the results of Sold Properties.

Rental revenues increased by \$237,300 or 2.8% for the year ended December 31, 1998 when compared to the year ended December 31, 1997. The increase was primarily due to an

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ITEM 7. MANAGEMENT'S DISCUSSION AND ANALYSIS OF  
FINANCIAL CONDITION AND RESULTS OF OPERATIONS--(CONTINUED)

increase in base rental income at Prentice Plaza, which was due to an increase in rates charged to new and renewing tenants. The increase was also due to an increase in tenant expense reimbursements at Marquette. The increase was partially offset by a decrease in base rental revenues at Burlington, which was due to the loss of a significant tenant at Burlington I. During the third quarter of 1998, this vacant space was leased for five years. The tenant began paying rent during December.

Mortgage interest expense decreased by \$160,600 for the year ended December 31, 1998 when compared to the year ended December 31, 1997. The decrease was



primarily due to the effects of the 1997 refinancing of the mortgage loan collateralized by Burlington, which resulted in a lower average interest rate. The effects of principal reductions on the mortgage loans collateralized by Marquette also contributed to the decrease.

Repair and maintenance expense decreased by \$55,400 for the year ended December 31, 1998 when compared to the year ended December 31, 1997. The decrease was primarily due to a decrease in costs associated with snow removal at Burlington and in general repairs to the elevators and HVAC at Prentice Plaza.

Real estate tax expense increased by \$85,000 for the year ended December 31, 1998 when compared to the year ended December 31, 1997. The increase was primarily due to an underestimate of 1997 real estate taxes for Marquette, adjusted during 1998. The increase was also due to an increase in real estate taxes at Marquette. The increase was partially offset by a decrease in real estate taxes at Prentice Plaza.

#### COMPARISON OF THE YEAR ENDED DECEMBER 31, 1997 TO THE YEAR ENDED DECEMBER 31, 1996

Net income increased by \$1,039,000 for the year ended December 31, 1997 when compared to the year ended December 31, 1996. The increase was primarily due to a larger gain recorded in 1997 on the sale of Regency when compared to the gain recorded on the 1996 sale of Sentry West. Also contributing to the increase was improved operating results at Burlington. The increase was partially offset by the absence of operating results in 1997 due to the 1996 sale of Sentry West.

Net operating results, exclusive of the gains on sale and operating results of the Sold Properties, improved by \$486,400. The improvement was primarily due to the improved operating results at Burlington. Also contributing to the improvement was an increase in interest income earned on the Partnership's short-term investments resulting from the proceeds from the sale of Regency being added to the amounts available for investment. Partially offsetting the improvement was diminished operating results at Prentice Plaza and Marquette.

The following comparative discussion excludes the results of the Sold Properties.

Rental revenues increased by \$448,200 or 5.5% for the year ended December 31, 1997 when compared to the year ended December 31, 1996. The increase was primarily due to the increase in base rental income at Burlington which was due to the successful leasing of the majority of the vacant space in Burlington III during 1996. Also contributing to the increase was a receipt in 1997 of consideration for an early lease termination at Prentice Plaza. The increase was partially offset by a decrease in tenant expense reimbursements at Prentice Plaza due to the successful appeal of 1996 real estate taxes which resulted in a 1997 credit against amounts due from tenants for tenant expense reimbursements.

Interest expense decreased by \$170,300 for the year ended December 31, 1997 when compared to the year ended December 31, 1996. The decrease was primarily due to a decrease in the average effective interest rate on the mortgage loan collateralized by Burlington.

Real estate tax expense increased by \$37,800 for the year ended December 31, 1997 when compared to the year ended December 31, 1996. The increase was primarily due to the 1996 receipt of refunds for 1995 real estate taxes at Prentice Plaza. Refunds received in 1997 at Prentice Plaza for 1996 taxes were offset by a significant increase in real estate taxes which was due to a reassessment of the taxing authorities value of Prentice Plaza. Partially offsetting the increase was a decrease in expense at Marquette, which was due to an overestimate of 1996 real estate taxes, adjusted in 1997.

Depreciation and amortization increased by \$87,600 for the year ended December 31, 1997 when compared to the year ended December 31, 1996. The increase was primarily due to the depreciable assets placed in service at Burlington during the past 24 months exceeding the depreciable assets whose lives expired during 1996 and 1997.

Repair and maintenance expenses increased by \$48,900 for the year ended December 31, 1997 when compared to the year ended December 31, 1996. The increase was primarily due to an increase in janitorial services at Burlington due to the increase in the average occupancy and an increase in salaries.

Property operating expenses increased by \$52,600 for the year ended December 31, 1997 when compared to the year ended December 31, 1996. The increase was primarily due to an increase in professional services, advertising and promotional expenses at Marquette. The increase in professional services at Marquette was due to expenses incurred in the exploration of a possible sale and/or refinancing of the property.

To increase and/or maintain occupancy levels at the Partnership's properties, the General Partner, through its asset and property management groups, continues to take the following actions: 1) implementation of marketing programs, including hiring of third-party leasing agents or providing on-site leasing personnel, advertising, direct mail campaigns and development of

building brochures; 2) early renewal of existing tenant leases and addressing any expansion needs these tenants may have; 3) promotion of local broker events and networking with local brokers; 4) networking with national level retailers; 5) cold-calling other businesses and tenants in the market area; and 6) providing rental concessions or competitively pricing rental rates depending on market conditions.

The rate of inflation has remained relatively stable during the years under comparison and has had a minimal impact on the operating results of the Partnership. The nature of various tenant lease clauses protects the Partnership, to some extent, from increases in the rate of inflation. Certain of the lease clauses provide for the following: (1) annual rent increases based on the Consumer Price Index or graduated rental increases; (2) percentage rentals at shopping centers, for which the Partnership receives as additional rent a percentage of a tenant's sales over predetermined amounts and (3) total or partial tenant reimbursement of property

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ITEM 7. MANAGEMENT'S DISCUSSION AND ANALYSIS OF  
FINANCIAL CONDITION AND RESULTS OF OPERATIONS--(CONTINUED)

operating expenses (e.g., common area maintenance, real estate taxes, etc.).

LIQUIDITY AND CAPITAL RESOURCES

One of the Partnership's objectives is to dispose of its properties when market conditions allow for the achievement of the maximum possible sales price. In the interim, the Partnership continues to manage and maintain its properties. Cash Flow (as defined in the Partnership Agreement) is generally not equal to Partnership net income or cash flows as determined by GAAP, since certain items are treated differently under the Partnership Agreement than under GAAP. The General Partner believes that to facilitate a clear understanding of the Partnership's operations, an analysis of Cash Flow (as defined in the Partnership Agreement) should be examined in conjunction with an analysis of net income or cash flows as determined by GAAP. The second table in Selected Financial Data includes a reconciliation of Cash Flow (as defined in the Partnership Agreement) to cash flows provided by operating activities as determined by GAAP. Such amounts are not indicative of actual distributions to Partners and should not necessarily be considered as an alternative to the results disclosed in the Statements of Income and Expenses and Statements of Cash Flows.

The increase in Cash Flow (as defined in the Partnership Agreement) of \$81,100 for the year ended December 31, 1998 when compared to the year ended December 31, 1997 was primarily due to the improvement in operating results, as previously discussed, exclusive of depreciation, amortization and gain on the sale of property. The increase was partially offset by an increase in regularly scheduled principal payments made on the Partnership's mortgage loans.

The decrease of \$607,400 in the Partnership's cash position for the year ended December 31, 1998 was primarily the result of payments for capital and tenant improvements, principal amortization of mortgage debt and investments in debt securities exceeding net cash provided by operating activities. The liquid assets of the Partnership as of December 31, 1998 were comprised of amounts held for working capital purposes.

Net cash provided by operating activities increased by \$975,700 for the year ended December 31, 1998 when compared to the year ended December 31, 1997. The increase was due to improved operating results, exclusive of depreciation, amortization and gain on sale of property, as previously discussed. The increase was also due to the timing of the payment of certain expenses at Burlington.

Net cash provided by (used for) investing activities changed from \$6,995,100 for the year ended December 31, 1997 to \$(2,141,600) for the year ended December 31, 1998. The change was primarily due to proceeds received in 1997 from the sale of Regency.

Investments in debt securities is a result of the extension of the maturities of certain of the Partnership's short-term investments in an effort to maximize the return on these amounts while they are held for working capital purposes. These investments are of investment-grade and mature less than one year from their date of purchase.

The Partnership maintains working capital reserves to pay for capital expenditures such as building and tenant improvements and leasing costs. During the year ended December 31, 1998, the Partnership spent \$633,500 for building and tenant improvements and leasing costs and has budgeted to spend approximately \$400,000 during 1999. Included in the 1999 budget are building and tenant improvements and leasing costs of approximately \$200,000 at Marquette and \$175,000 at Prentice Plaza. The General Partner believes these improvements and leasing costs are necessary in order to increase and/or maintain occupancy levels in very competitive markets, maximize rental rates charged to new and renewing tenants and to prepare the remaining properties for

eventual disposition.

Net cash used for financing activities decreased by \$7,159,000 for the year ended December 31, 1998 when compared to the year ended December 31, 1997. The decrease was primarily due to the 1997 repayment of a mortgage loan with a portion of the proceeds from the sale of Regency. The decrease was partially offset by an increase in principal amortization payments on the mortgage loans collateralized by Marquette.

Pursuant to a modification of the Partnership's Front-End Fees loan agreement with an Affiliate of the General Partner, the Partnership has the option to defer payment of interest on this loan for an 84-month period beginning January 1, 1993. In addition, any interest payments paid by the Partnership from January 1, 1993 through December 31, 1999 may be borrowed from this Affiliate. All deferred and subsequently borrowed amounts (including accrued interest thereon) shall be due and payable on January 1, 2000, and is not subordinated to payment of Original Capital Contributions to Limited Partners. As of December 31, 1998, the Partnership has deferred the payment of \$1,967,000 of interest.

The junior mortgage collateralized by Marquette with a balance of \$7,220,000 as of December 31, 1998, matures on September 30, 1999. This loan contains a prohibition on the payment of distributions to Partners and is recourse to the Partnership. The Partnership is currently evaluating possible alternative financing. There can be no assurance that these efforts will be successful.

The Year 2000 problem is the result of the inability of existing computer programs to distinguish between a year beginning with "20" rather than "19". This is the result of computer programs using two rather than four digits to define an applicable year. If not corrected, any program having time sensitive software may recognize a date using "00" as the year 1900 rather than the year 2000. This could result in a variety of problems including miscalculations, loss of data and failure of entire systems. Critical areas that could be effected are accounts receivable and rent collections, accounts payable, general ledger, cash management, fixed assets, investor services, computer hardware, telecommunications systems and health, security, fire and safety systems.

The Partnership has engaged Affiliated and unaffiliated entities to perform all of its critical functions that utilize software that may have time-sensitive applications. All of these service providers are providing these services for their

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ITEM 7. MANAGEMENT'S DISCUSSION AND ANALYSIS OF  
FINANCIAL CONDITION AND RESULTS OF OPERATIONS--(CONTINUED)

own organizations as well as for other clients. The General Partner, on behalf of the Partnership, has been in close communications with each of these service providers regarding steps that are being taken to assure that there will be no serious interruption of the operations of the Partnership resulting from Year 2000 problems. Based on the results of the inquiries, as well as a review of the disclosures by these service providers, the General Partner believes that the Partnership will be able to continue normal business operations and will incur no material costs related to Year 2000 issues.

The Partnership has not formulated a contingency plan. However, the General Partner believes that based on the size of the Partnership's portfolio and its limited number of transactions, aside from catastrophic failure of banks, government agencies, etc., it could carry out substantially all of its critical operations on a manual basis or easily convert to systems that are Year 2000 compliant.

The Partnership continues to face significant short-term financial issues. In addition to substantial payment requirements on its mortgage loans collateralized by the Partnership's properties, the junior mortgage loan collateralized by Marquette matures in September 1999. Failure to secure a replacement mortgage or generate sufficient cash to repay the mortgage at its maturity date could result in the current lender foreclosing on the property. The Partnership anticipates incurring substantial capital and tenant improvement and leasing costs during 1999 in connection with ongoing required maintenance of the Partnership's properties. Net cash provided by operating activities might not be sufficient to meet the above capital expenditure requirements for the year ending December 31, 1999. As a result of this issue, together with the prohibition on distributions to Limited Partners contained in the junior mortgage loan collateralized by Marquette and the mortgage loan collateralized by Burlington, the General Partner believes that it is in the best interest of the Partnership to retain all cash available. Accordingly distributions to Limited Partners continue to be suspended. For the year ended December 31, 1998, Cash Flow (as defined in the Partnership Agreement) of \$615,700 was retained to supplement working capital reserves.

The General Partner continues to review other sources of cash available to the Partnership, which include the possible refinancing or sale of certain of the Partnership properties. While there can be no assurance as to the timing or successful completion of any future transactions or as to the properties' future operating results, the General Partner currently believes that the amount of the Partnership's existing cash reserves, future Cash Flow (as defined in the Partnership Agreement) to be earned as well as additional proceeds to be received from any sale, disposition or refinancing of any properties or any mortgage loan modifications or extensions are sufficient to cover planned expenditures for the ensuing twelve month period.

Based upon the current estimated value of its assets, net of its outstanding liabilities, together with its expected operating results and capital expenditure requirements, the General Partner believes that the Partnership's cumulative distributions to its Limited Partners from inception through the termination of the Partnership will be substantially less than such Limited Partners' Original Capital Contribution.

ITEM 7A. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

With the exception of variable rate mortgage debt, the Partnership has no financial instruments for which there are significant risks. Based on variable rate debt outstanding as of December 31, 1998, for every 1% change in interest rates, the Partnership's annual interest expense would change by \$229,700. Due to the timing of the maturities and liquid nature of its investments in debt securities, the Partnership believes that it does not have material risk.

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ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA

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The response to this item is submitted as a separate section of this report. See page A-1 "Index of Financial Statements, Schedule and Exhibits."

ITEM 9. CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND

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FINANCIAL DISCLOSURE

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None.

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PART III

ITEM 10. DIRECTORS AND EXECUTIVE OFFICERS OF THE REGISTRANT

-----

(a) & (e) DIRECTORS

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The Partnership has no directors. First Capital Financial Corporation ("FCFC") is the General Partner. The directors of FCFC, as of March 31, 1999, are shown in the table below. Directors serve for one year or until their successors are elected. The next annual meeting of FCFC will be held in June 1999.

Name	Office
----	-----
Douglas Crocker II.....	Director
Sheli Z. Rosenberg.....	Director

Douglas Crocker II, 58, has been President and Chief Executive Officer since December 1992 and a Director since January 1993 of the General Partner. Mr. Crocker has been President, Chief Executive Officer and trustee of Equity Residential Properties Trust since March 31, 1993. Mr. Crocker is a member of the Board of Directors of Wellsford Real Properties, Inc. and Ventas Inc. and was a member of the Board of Directors of Horizon Group, Inc. from July 1996 to June 1998. Mr. Crocker was an Executive Vice President of Equity Financial and Management Company ("EFMC") from November 1992 until March 1997.

Sheli Z. Rosenberg, 57, was President and Chief Executive Officer of the General Partner from December 1990 to December 1992 and has been a Director of the General Partner since September 1983; was Executive Vice President and General Counsel for EFMC from October 1980 to November 1994; has been President and Chief Executive Officer of Equity Group Investments, LLC ("EGI") since November 1994; has been a Director of Great American Management and

Investment Inc. ("Great American") since June 1984 and is a director of various subsidiaries of Great American. She is also a director of Anixter International Inc., Capital Trust Inc., CVS Corporation, Illinova Corporation, Illinois Power Co., Jacor Communications, Inc., and Manufactured Home Communities, Inc. She is also a trustee of Equity Residential Properties Trust and Equity Office Properties Trust. Ms. Rosenberg was a Principal of Rosenberg & Liebenritt, P.C., counsel to the Partnership, the General Partner and certain of their Affiliates from 1980 until September 1997. She had been Vice President of First Capital Benefit Administrators, Inc. ("Benefit Administrators") since July 22, 1987 until its liquidation in November 1995. Benefit Administrators filed for protection under the Federal Bankruptcy laws on January 3, 1995.

ITEM 10. DIRECTORS AND EXECUTIVE OFFICERS OF THE REGISTRANT (continued)

(b) & (e) EXECUTIVE OFFICERS

The Partnership does not have any executive officers. The executive officers of the General Partner as of March 31, 1999 are shown in the table. All officers are elected to serve for one year or until their successors are elected and qualified.

Name ----	Office -----
Douglas Crocker II .....	President and Chief Executive Officer
Donald J. Liebenritt.....	Vice President
Norman M. Field.....	Vice President - Finance and Treasurer

PRESIDENT AND CEO - See Table of Directors above.

Donald J. Liebenritt, 48, has been Vice President of the General Partner since July 1997 and is Chief Operating Officer and General Counsel of EGI, Vice President and Assistant Secretary of Great American and Principal and Chairman of the Board of Rosenberg & Liebenritt, P.C.

Norman M. Field, 50, has been Vice President of Finance and Treasurer of the General Partner since February 1984, and also served as Vice President of Great American from July 1983 until March 1995 and from July 1997 to the present. Mr. Field had been Treasurer of Benefit Administrators since July 22, 1987 until its liquidation in November 1995. He was Chief Financial Officer of Equality Specialties, Inc. ("Equality"), a subsidiary of Great American, from August 1994 to April 1995.

(d) FAMILY RELATIONSHIPS

There are no family relationships among any of the foregoing directors and officers.

(f) INVOLVEMENT IN CERTAIN LEGAL PROCEEDINGS

With the exception of the bankruptcy matter disclosed under Items 10 (a), (b) and (e), there are no involvements in certain legal proceedings among any of the foregoing directors and officers.

ITEM 11. EXECUTIVE COMPENSATION

(a - d) As stated in Item 10, the Partnership has no officers or directors. Neither the General Partner, nor any director or officer of the General Partner, received any direct remuneration from the Partnership during the year ended December 31, 1998. However, the General Partner and its Affiliates do compensate its directors and officers.

For additional information see Item 13 Certain Relationships and Related Transactions.

(e) None.

ITEM 12. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT

(a) As of March 1, 1999, no person of record owned or was known by the Partnership to own beneficially more than 5% of the Partnership's 57,621 Units then outstanding.

(b) The Partnership has no directors or executive officers. As of March 1, 1999, the executive officers and directors of the General Partner, as a group, did not own any Units.

(c) None.

ITEM 13. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS

(a) Affiliates of the General Partner, provide leasing, property management and supervisory services to the Partnership. Compensation to the General Partner, its Affiliates and all other parties for property management services may not exceed the lesser of the compensation customarily charged in arm's-length transactions in the same geographic area and for a comparable property or 6% of the gross receipts from the property being managed where the General Partner or Affiliate provides leasing, re-leasing and leasing related services, or 3% of gross receipts where the General Partner or Affiliate does not perform leasing, re-leasing and leasing related services and, in that event, may pay an unaffiliated party for leasing services to the Partnership in an amount not to exceed the compensation customarily charged in arm's-length transactions by persons rendering similar services as an ongoing public entity in the same geographic location for a comparable property. During the year ended December 31, 1998, these Affiliates were entitled to leasing fees and property management and supervisory fees of \$85,800. In addition, other Affiliates of the General Partner were entitled to fees and compensation of \$128,700 for insurance, personnel and other services. As of December 31, 1998, \$3,800 of these fees and reimbursements due to Affiliates were unpaid and \$15,500 was due from Affiliates. Services provided by Affiliates are on terms which are fair, reasonable and no less favorable to the Partnership than reasonably could be obtained from unaffiliated persons.

For the year ended December 31, 1998 an Affiliate of the General Partner was entitled to interest on the Partnership's Front-End Fees loan in the amount of \$640,800. In accordance with the Partnership Agreement, neither the General Partner nor its Affiliates shall lend money to the Partnership with interest rates and other finance charges and fees in excess of the lesser of the amounts that are charged by unrelated lending institutions on comparable loans for the same purpose in the same locality or 2% above the prime rate of interest charged by Chase Manhattan Bank.

Pursuant to a modification of the Partnership's Front-End Fees loan agreement, the Partnership has the option to defer payment of interest on this loan, for an 84-month period beginning January 1, 1993. All deferred amounts (including accrued interest thereon) shall be due and payable on January 1, 2000, and shall not be subordinated to repayment to the Limited Partners of their Original Capital Contributions. Beginning with the interest payment due on January 1, 1996, the Partnership elected to defer payment of interest. As of December 31, 1998, the total deferred interest was \$1,967,000.

ITEM 13. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS (Continued)

In accordance with the Partnership Agreement, Net Profits and Net Losses (exclusive of Net Profits and Net Losses from the sale, disposition or provision for value impairment of Partnership properties) shall be allocated 1% to the General Partner and 99% to the Limited Partners. Net Profits from the sale or disposition of a Partnership property are

allocated: first, prior to giving effect to any distributions of Sale or Refinancing Proceeds from the transaction, to the General Partner and Limited Partners with negative balances in their Capital Accounts, pro rata in proportion to such respective negative balances, to the extent of the total of such negative balances; second, to each Limited Partner in an amount, if any, necessary to make the positive balance in its Capital Account equal to the Sale or Refinancing Proceeds to be distributed to such Limited Partner with respect to the sale or disposition of such property; third, to the General Partner in an amount, if any, necessary to make the positive balance in its Capital Account equal to the Sale or Refinancing Proceeds to be distributed to the General Partner with respect to the sale or disposition of such property; and fourth, the balance, if any, 25% to the General Partner and 75% to the Limited Partners. Net Losses from the sale, disposition or provision for value impairment of Partnership properties are allocated: first, after giving effect to any distributions of Sale or Refinancing Proceeds from the transaction, to the General Partner and Limited Partners with positive balances in their Capital Accounts, pro rata in proportion to such respective positive balances, to the extent of the total amount of such positive balances; and second, the balance, if any, 1% to the General Partner and 99% to the Limited Partners. Notwithstanding anything to the contrary, there shall be allocated to the General Partner not less than 1% of all items of Partnership income, gain, loss, deduction and credit during the existence of the Partnership. For the year ended December 31, 1998, the General Partner was allocated Net Profits of \$214,100.

ANTEC Corporation ("ANTEC"), which is in the business of designing, engineering, manufacturing and distributing cable television products, and approximately 18.5% owned by Anixter International Inc., an Affiliate of the General Partner, is obligated to the Partnership under a lease of office space at Prentice Plaza. During the year ended December 31, 1998, the Partnership's share of ANTEC's rent was \$177,800. The per square foot rent paid by ANTEC is comparable to that paid by other tenants at Prentice Plaza.

Manufactured Homes Communities Inc. ("MHC") a real estate investment trust which is in the business of owning and operating mobile home communities, an Affiliate of the General Partner, is obligated to the Partnership under a lease of office space at Prentice Plaza. During the year ended December 31, 1998, the Partnership's share of MHC's rent was \$39,000. The per square foot rent paid by MHC is comparable to that paid by other tenants at Prentice Plaza.

- (b) Rosenberg & Liebenritt, P.C. ("Rosenberg"), serves as legal counsel to the Partnership, the General Partner and certain of their Affiliates. Donald J. Liebenritt, Vice President, is a Principal and the Chairman of the Board of Rosenberg. For the year ended December 31, 1998, Rosenberg was entitled to \$91,600 for legal fees from the Partnership. Compensation for these services are on terms which are fair, reasonable and no less favorable to the Partnership than reasonably could be obtained from unaffiliated parties. As of December 31, 1998, \$1,500 is due to Rosenberg.
- (c) No management person is indebted to the Partnership.
- (d) None

#### PART IV

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

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(a, c & d) See Index of Financial Statements, Schedule and Exhibits on page A-1 of Form 10-K.

(b) Reports on Form 8-K:

There were no reports filed on Form 8-K for the quarter ended December 31, 1998.

#### SIGNATURES

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

BY: FIRST CAPITAL FINANCIAL CORPORATION  
GENERAL PARTNER

Dated: March 26, 1999 By: /s/ DOUGLAS CROCKER II  
-----  
DOUGLAS CROCKER II  
President and Chief Executive Officer

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

/s/ DOUGLAS CROCKER II      March 26, 1999      President, Chief Executive  
-----      -----      Officer and Director of the  
DOUGLAS CROCKER II      General Partner

/s/ SHELI Z. ROSENBERG      March 26, 1999      Director of the General Partner  
-----      -----  
SHELI Z. ROSENBERG

/s/ DONALD J. LIEBENTRITT      March 26, 1999      Vice President  
-----      -----  
DONALD J. LIEBENTRITT

/s/ NORMAN M. FIELD      March 26, 1999      Vice President - Finance and  
-----      -----      Treasurer  
NORMAN M. FIELD

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INDEX OF FINANCIAL STATEMENTS, SCHEDULE AND EXHIBITS

FINANCIAL STATEMENTS FILED AS PART OF THIS REPORT

<TABLE>  
<CAPTION>

	Pages -----
<S>	<C>
Report of Independent Auditors	A-2
Balance Sheets as of December 31, 1998 and 1997	A-3
Statements of Partners' (Deficit) for the Years Ended December 31, 1998, 1997 and 1996	A-3
Statements of Income and Expenses for the Years Ended December 31, 1998, 1997 and 1996	A-4
Statements of Cash Flows for the Years Ended December 31, 1998, 1997 and 1996	A-4
Notes to Financial Statements	A-5 to A-8

SCHEDULE FILED AS PART OF THIS REPORT

III - Real Estate and Accumulated Depreciation as of December 31, 1998	A-9 and A-10
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</TABLE>

All other schedules have been omitted as inapplicable, or for the reason that the required information is shown in the financial statements or notes thereto.

EXHIBITS FILED AS PART OF THIS REPORT

EXHIBITS (3 & 4) First Amended and Restated Certificate and Agreement of  
-----  
Limited Partnership as set forth on pages A-1 through A-34 of the Partnership's  
definitive Prospectus dated September 12, 1985; Registration Statement No. 2-  
98749, filed pursuant to Rule 424 (b), is incorporated herein by reference.

EXHIBIT (10) Material Contracts  
-----

Lease agreement for a tenant at Burlington Office Park I, II & III, one of the  
Partnership's most significant properties attached as an exhibit to this Report  
on Form 10-K.

Real Estate Sale Agreement and Closing Documents for the sale of the



Partnership's investment in Regency Park Shopping Center filed as an exhibit to the Partnership's Report on Form 8-K filed on June 26, 1997 is incorporated herein by reference.

EXHIBIT (13) Annual Report to Security Holders

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The 1997 Annual Report to Limited Partners is being sent under separate cover, not as a filed document and not via EDGAR, for the information of the Commission.

EXHIBIT (27) Financial Data Schedule

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A-1

REPORT OF INDEPENDENT AUDITORS

Partners  
First Capital Income Properties, Ltd. - Series XI  
Chicago, Illinois

We have audited the accompanying balance sheets of First Capital Income Properties, Ltd. - Series XI as of December 31, 1998 and 1997, and the related statements of income and expenses, partners' (deficit) and cash flows for each of the three years in the period ended December 31, 1998. Our audit also included the financial statement schedule listed in the accompanying index. These financial statements and schedule are the responsibility of the Partnership's management. Our responsibility is to express an opinion on these financial statements and schedule based on our audits.

We conducted our audits in accordance with generally accepted auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of First Capital Income Properties, Ltd. - Series XI at December 31, 1998 and 1997, and the results of its operations and its cash flows for each of the three years in the period ended December 31, 1998, in conformity with generally accepted accounting principles. Also, in our opinion, the related financial statement schedule, when considered in relation to the basic financial statements taken as a whole, presents fairly in all material respects the information set forth therein.

Ernst & Young LLP

Chicago, Illinois  
February 26, 1999

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BALANCE SHEETS

December 31, 1998 and 1997  
(All dollars rounded to nearest 00s)

<TABLE>  
<CAPTION>

	1998	1997
<S>	<C>	<C>
ASSETS		
Investment in commercial rental properties:		
Land	\$ 6,070,100	\$ 6,070,100
Buildings and improvements	42,793,500	42,160,000
	-----	-----
	48,863,600	48,230,100
Accumulated depreciation and amortization	(17,200,600)	(15,801,900)
	-----	-----
Total investment properties, net of accumulated depreciation and amortization	31,663,000	32,428,200
Cash and cash equivalents	1,160,100	1,767,500

Investments in debt securities	2,995,700	1,487,600
Rents receivable	811,900	666,100
Other assets (including loan acquisition costs, net of accumulated amortization of \$568,500 and \$475,900, respectively)	299,800	407,400
	<u>\$ 36,930,500</u>	<u>\$ 36,756,800</u>
-----		
LIABILITIES AND PARTNERS' (DEFICIT)		
Liabilities:		
Mortgage loans payable	\$ 25,646,200	\$ 26,735,900
Front-End Fees loan payable to Affiliate	8,295,200	8,295,200
Accounts payable and accrued expenses	1,294,100	1,065,200
Due to Affiliates, net	1,956,800	1,311,500
Security deposits	211,500	183,800
Other liabilities	301,900	154,500
	<u>37,705,700</u>	<u>37,746,100</u>
-----		
Partners' (deficit):		
General Partner (deficit)	(775,200)	(989,300)
Limited Partners (57,621 Units issued and outstanding)		
	<u>(775,200)</u>	<u>(989,300)</u>
	<u>\$ 36,930,500</u>	<u>\$ 36,756,800</u>

</TABLE>

STATEMENTS OF PARTNERS' (DEFICIT)

For the years ended December 31, 1998, 1997 and 1996  
(All dollars rounded to nearest 00s)

<TABLE>  
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	General Partner	Limited Partners	Total
<S>	<C>	<C>	<C>
Partners' (deficit), January 1, 1996	\$ (2,512,100)	\$ 0	\$ (2,512,100)
Net income for the year ended December 31, 1996	241,900	0	241,900
Partners' (deficit), December 31, 1996	(2,270,200)	0	(2,270,200)
Net income for the year ended December 31, 1997	1,280,900	0	1,280,900
Partners' (deficit), December 31, 1997	(989,300)	0	(989,300)
Net income for the year ended December 31, 1998	214,100	0	214,100
Partners' (deficit), December 31, 1998	\$ (775,200)	\$ 0	\$ (775,200)

</TABLE>

The accompanying notes are an integral part of the financial statements.

A-3

STATEMENTS OF INCOME AND EXPENSES

For the years ended December 31, 1998, 1997 and 1996  
(All dollars rounded to nearest 00s except per Unit amounts)

<TABLE>  
<CAPTION>

	1998	1997	1996
<S>	<C>	<C>	<C>
Income:			
Rental	\$8,934,600	\$9,201,000	\$10,386,100
Interest	199,600	126,300	62,500
Gain on sale of properties		1,598,800	816,100
	<u>9,134,200</u>	<u>10,926,100</u>	<u>11,264,700</u>
-----			
Expenses:			
Interest:			
Affiliate	640,800	642,700	626,600
Nonaffiliates	2,070,700	2,573,000	3,249,100
Depreciation and amortization	1,491,300	1,506,200	1,649,600
Property operating:			
Affiliates	166,600	269,800	575,200
Nonaffiliates	1,992,200	2,014,100	1,972,300
Real estate taxes	1,288,000	1,264,300	1,382,300
Insurance--Affiliate	104,200	118,200	140,500

Repairs and maintenance	1,003,500	1,096,300	1,242,700
General and administrative:			
Affiliates	27,800	28,000	37,800
Nonaffiliates	135,000	132,600	146,700
	8,920,100	9,645,200	11,022,800
Net income	\$ 214,100	\$1,280,900	\$ 241,900
Net income allocated to General Partner	\$ 214,100	\$1,280,900	\$ 241,900
Net allocated to Limited Partners	\$ 0	\$ 0	\$ 0
Net allocated to Limited Partners per Unit (57,621 Units outstanding)	\$ 0	\$ 0	\$ 0

</TABLE>

STATEMENTS OF CASH FLOWS

For the years ended December 31, 1998, 1997 and 1996  
(All dollars rounded to nearest 00s)

<TABLE>

<CAPTION>

	1998	1997	1996
<S>	<C>	<C>	<C>
Cash flows from operating activities:			
Net income	\$ 214,100	\$ 1,280,900	\$ 241,900
Adjustments to reconcile net income to net cash provided by operating activities:			
Depreciation and amortization	1,491,300	1,506,200	1,649,600
(Gain) on sale of properties		(1,598,800)	(816,100)
Changes in assets and liabilities:			
(Increase) decrease in rents receivable	(145,800)	(41,700)	2,400
Decrease in other assets	15,000	89,900	61,700
Increase (decrease) in accounts payable and accrued expenses	228,900	(195,500)	(39,700)
Increase (decrease) in due to Affiliates	4,500	(76,800)	4,300
Increase in other liabilities	147,400	15,500	3,900
Net cash provided by operating activities	1,955,400	979,700	1,108,000
Cash flows from investing activities:			
Proceeds from sale of commercial rental properties		9,375,100	5,606,600
Payments for building and tenant improvements	(633,500)	(892,400)	(875,900)
(Increase) in investments in debt securities, net	(1,508,100)	(1,487,600)	
Maturity of restricted certificate of deposit			79,700
Net cash (used for) provided by investing activities	(2,141,600)	6,995,100	4,810,400
Cash flows from financing activities:			
Principal payments on mortgage loans payable	(1,089,700)	(653,700)	(1,817,700)
Repayment of mortgage loans payable		(18,413,600)	(4,568,700)
Proceeds from mortgage loan payable		11,000,000	
Interest deferred on Front-End Fees loan payable to Affiliate	640,800	642,700	626,600
Payment of loan acquisition or extension fees		(153,100)	(102,900)
Increase (decrease) in security deposits	27,700	(2,500)	(14,400)
Net cash (used for) financing activities	(421,200)	(7,580,200)	(5,877,100)
Net (decrease) increase in cash and cash equivalents	(607,400)	394,600	41,300
Cash and cash equivalents at the beginning of the year	1,767,500	1,372,900	1,331,600
Cash and cash equivalents at the end of the year	\$ 1,160,100	\$ 1,767,500	\$ 1,372,900
Supplemental information:			
Interest paid during the year	\$ 2,072,100	\$ 2,786,800	\$ 3,293,700

</TABLE>

The accompanying notes are an integral part of the financial statements.

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## NOTES TO FINANCIAL STATEMENTS

December 31, 1998

### 1. ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

#### DEFINITION OF SPECIAL TERMS:

Capitalized terms used in this report have the same meaning as those terms have in the Partnership's Registration Statement filed with the Securities and Exchange Commission on Form S-11. Definitions of these terms are contained in Article III of the First Amended and Restated Certificate and Agreement of Limited Partnership, which is included in the Registration Statement and incorporated herein by reference.

#### ORGANIZATION:

The Partnership was formed on May 24, 1985, by the filing of a Certificate and Agreement of Limited Partnership with the Recorder of Deeds of Cook County, Illinois, and commenced the Offering of Units on September 12, 1985. The Certificate and Agreement, as amended and restated, authorized the sale to the public of 50,000 Units (with the General Partner's option to increase to 100,000 Units) and not less than 1,400 Units pursuant to the Prospectus. On December 3, 1985, the required minimum subscription level was reached and the Partnership's operations commenced. The General Partner exercised its option to increase the Offering to 100,000 Units and the Partnership Agreement was subsequently amended to extend the Offering until March 31, 1987, through which date 57,621 Units were sold. The Partnership was formed to invest primarily in existing, improved, income-producing commercial real estate.

In 1998, the Company adopted the Financial Accounting Standards Board's Statement of Financial Accounting Standards No. 131, "Disclosures about Segments of an Enterprise and Related Information", which was effective for fiscal years beginning after December 15, 1997. This statement establishes standards for the way that public business enterprises report information about operating segments and major customers in their annual financial statements and requires that those enterprises report selected information about operating segments in interim financial reports in the second year of application. The Partnership has one reportable segment as the Partnership is in the disposition phase of its life cycle, wherein it is seeking to liquidate its remaining operating assets. Management's main focus, therefore, is to prepare its assets for sale and find purchasers for its remaining assets when market conditions warrant such an action. The adoption of Statement 131 did not affect the results of operations or financial position. The Partnership has one tenant who occupies 15% of the Partnership's rental space at the Partnership's properties.

The Partnership Agreement provides that the Partnership will be dissolved on or before December 31, 2015. The Limited Partners, by a majority vote, may dissolve the Partnership at any time.

#### ACCOUNTING POLICIES:

The financial statements have been prepared in accordance with generally accepted accounting principles ("GAAP"). The Partnership utilizes the accrual method of accounting. Under this method, revenues are recorded when earned and expenses are recorded when incurred. Effective July 1, 1998, the Partnership recognizes rental income which is contingent upon tenants' achieving specified targets only to the extent that such targets are attained.

Preparation of the Partnership's financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

The financial statements include the Partnership's 50% interest in a joint venture with an affiliated partnership. This joint venture was formed for the purpose of acquiring a 100% interest in Prentice Plaza. This joint venture is operated under the common control of the General Partner. Accordingly, the Partnership's pro rata share of the joint ventures' revenues, expenses, assets, liabilities and Partners' capital is included in the financial statements.

The financial statements include the Partnership's 70% undivided interest in a joint venture with an unaffiliated third party. The joint venture owns a 100% interest in the Burlington Office Center I, II and III ("Burlington"). This joint venture is operated under the control of the General Partner. The Partnership has included 100% of the venture's revenues, expenses, assets, liabilities and Partner's capital in the financial statements.

The Partnership is not liable for federal income taxes as the Partners recognize their proportionate share of the Partnership income or loss in their income tax returns; therefore, no provision for federal income taxes is made in

the financial statements of the Partnership. In addition, it is not practicable for the Partnership to determine the aggregate tax bases of the individual Partners; therefore, the disclosure of the differences between the tax bases and the reported assets and liabilities of the Partnership would not be meaningful.

Commercial rental properties held for investment are recorded at cost, net of any provisions for value impairment, and depreciated (exclusive of amounts allocated to land) on the straight-line method over their estimated useful lives. Upon classifying a commercial rental property as held for disposition, no further depreciation or amortization of such property is provided for in the financial statements. Lease acquisition fees are recorded at cost and amortized over the life of each respective lease. Repair and maintenance expenditures are expensed as incurred; expenditures for improvements are capitalized and depreciated over the estimated life of such improvements.

The Partnership evaluates its commercial rental properties for impairment when conditions exist which may indicate that it is probable that the sum of expected future cash flows (undiscounted) from a property is less than its carrying basis. Upon determination that an impairment has occurred, the carrying basis in the rental property is reduced to its estimated fair value. Management was not aware of any indicator that would result in a significant impairment loss during the periods reported.

Loan acquisition costs are amortized over the term of the mortgage loan made in connection with the acquisition of Partnership properties or refinancing of Partnership loans. When a property is disposed of or a loan is refinanced, the related

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loan acquisition costs and accumulated amortization are removed from the respective accounts and any unamortized balance is charged to expense.

Property sales are recorded when title transfers and sufficient consideration has been received by the Partnership. Upon disposition, the related costs and accumulated depreciation and amortization are removed from the respective accounts. Any gain on sale is recognized in accordance with GAAP.

Cash equivalents are considered all highly liquid investments with a maturity of three months or less when purchased.

Investments in debt securities are comprised of obligations of the United States government and are classified as held-to-maturity. These investments are carried at their amortized cost basis in the financial statements which approximated fair value. All of these securities had a maturity of less than one year when purchased.

The Partnership's financial statements include financial instruments, including receivables, trade liabilities and mortgage debt. The Partnership considers the disclosure of the fair value of its mortgage debt to be impracticable due to the general illiquid nature of the real estate financing market and an inability to obtain comparable financing on certain of its properties. The fair value of all other financial instruments, including cash and cash equivalents, was not materially different from their carrying value at December 31, 1998 and 1997.

## 2. RELATED PARTY TRANSACTIONS:

In accordance with the Partnership Agreement, Net Profits and Net Losses (exclusive of Net Profits and Net Losses from the sale, disposition or provision for value impairment of Partnership properties) shall be allocated 1% to the General Partner and 99% to the Limited Partners. Net Profits from the sale or disposition of a Partnership property are allocated: first, prior to giving effect to any distributions of Sale or Refinancing Proceeds from the transaction, to the General Partner and Limited Partners with negative balances in their Capital Accounts, pro rata in proportion to such respective negative balances, to the extent of the total of such negative balances; second, to each Limited Partner in an amount, if any, necessary to make the positive balance in its Capital Account equal to the Sale or Refinancing Proceeds to be distributed to such Limited Partner with respect to the sale or disposition of such property; third, to the General Partner in an amount, if any, necessary to make the positive balance in its Capital Account equal to the Sale or Refinancing Proceeds to be distributed to the General Partner with respect to the sale or disposition of such property; and fourth, the balance, if any, 25% to the General Partner and 75% to the Limited Partners. Net Losses from the sale, disposition or provision for value impairment of Partnership properties are allocated: first, after giving effect to any distributions of Sale or Refinancing Proceeds from the transaction, to the General Partner and Limited Partners with positive balances in their Capital Accounts, pro rata in proportion to such respective positive balances, to the extent of the total amount of such positive balances; and second, the balance, if any, 1% to the General Partner and 99% to the Limited Partners. Notwithstanding anything to the contrary, there shall be allocated to the General Partner not less than 1% of all items of Partnership income, gain, loss, deduction and credit during the

existence of the Partnership. For the year ended December 31, 1998 the General Partner was allocated 100% of Net Profits of \$214,100. For the year ended December 31, 1997, the General Partner was allocated 100% of the Net Profits of \$1,280,900 which included the gain on the sale of property of \$1,598,800. For the year ended December 31, 1996, the General Partner was allocated 100% of the Net Profits of \$241,900 which included the gain on the sale of property of \$816,100. No amounts will be allocated to Limited Partners until such time as the cumulative computation of Limited Partners' capital account would result in a positive balance.

Fees and reimbursements paid and payable/(receivable) by the Partnership to/(from) Affiliates were as follows:

<TABLE>  
<CAPTION>

	For the Years Ended December 31,					
	1998		1997		1996	
	Paid	Payable	Paid	Payable	Paid	Payable
<S>	<C>	<C>	<C>	<C>	<C>	<C>
Property management and leasing fees	\$ 85,300	\$ (15,500)	\$263,600	\$ (16,000)	\$498,700	\$ 51,700
Interest expense on Front-End Fees loan (Note 3)	None	1,967,000	None	1,326,300	None	683,600
Reimbursement of property insurance premiums	104,100	None	118,200	None	140,500	None
Legal	90,100	1,500	138,800	None	129,300	7,000
Reimbursement of expenses, at cost:						
--Accounting	18,500	3,200	20,400	1,100	33,300	3,100
--Investor communication	3,500	600	2,900	100	5,100	200
	\$301,500	\$1,956,800	\$543,900	\$1,311,500	\$806,900	\$745,600

</TABLE>

The variance between the amounts listed in the above table and the Statement of Income and Expense is due to capitalized legal costs.

ANTEC Corporation ("ANTEC"), which is in the business of designing, engineering, manufacturing and distributing cable television products, and approximately 18.5% owned by Anixter International Inc., an Affiliate of the General Partner, is obligated to the Partnership under a lease of office space at Prentice Plaza. During the years ended December 31, 1998, 1997 and 1996, the Partnership's share of ANTEC's rent and reimbursement of expenses was \$177,800, \$137,000 and \$293,400, respectively. The per square foot rent paid by ANTEC is comparable to that paid by other tenants at Prentice Plaza.

Manufactured Home Communities, Inc. ("MHC"), a real estate investment trust, which is an Affiliate of the General Partner and is in the business of owning and operating mobile home communities, is obligated to the Partnership under a lease of office space at Prentice Plaza. During the years ended December 31, 1998, 1997 and 1996, the Partnership's share of MHC's rent and reimbursement of expenses was \$39,000, \$21,800 and \$29,800, respectively. The per square foot rent paid by MHC is comparable to that paid by other tenants at Prentice Plaza.

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On-site property management for certain of the Partnership's properties is provided by third-party management companies for fees ranging from 3% to 6% of gross rents received by the properties. In addition, Affiliates of the General Partner provide on-site property management, leasing and supervisory services for fees based upon various percentage rates of gross rents for the properties. These fees range from 1% to 6% based upon the terms of the individual management agreements.

### 3. FRONT-END FEES LOAN PAYABLE TO AFFILIATE:

The Partnership borrowed from an Affiliate of the General Partner an amount needed for the payment of securities sales commissions, Offering and Organizational Expenses and other Front-End Fees, other than Acquisition Fees. Repayment of the principal amount of the Front-End Fees loan is subordinated to payment to the Limited Partners of 100% of their Original Capital Contribution from Sale or Refinancing Proceeds (as defined in the Partnership Agreement). Interest on the outstanding balance of this loan is due and payable monthly at a rate no greater than the cost of funds obtained by the Affiliate from unaffiliated lenders.

As of December 31, 1998, the Partnership had drawn \$8,295,200 under the Front-End Fees loan agreement. The interest rate on the Front-End Fees loan is

subject to change in accordance with the loan agreement. The weighted average interest rate for the year ended December 31, 1998 was 7.72%. As of December 31, 1998, the interest rate was 7.63%.

Pursuant to a modification of this loan agreement, the Partnership has the option to defer payment of interest on this loan, for an 84-month period beginning January 1, 1993. In addition, any interest payments paid by the Partnership from January 1, 1993 through December 31, 1999 may be borrowed from the Affiliate. All deferred and subsequently borrowed amounts (including accrued interest thereon) shall be due and payable on January 1, 2000, and shall not be subordinated to payment of Original Capital Contribution to Limited Partners. Beginning with the interest payment due on January 1, 1996, the Partnership elected to defer payment of interest. As of December 31, 1998, the amount of interest deferred pursuant to this modification was \$1,967,000.

4. MORTGAGE LOANS PAYABLE:

Mortgage loans payable at December 31, 1998 and 1997 consisted of the following loans which are non-recourse unless otherwise noted:

<TABLE>  
<CAPTION>

Property Pledged as Collateral	Principal Balance at		Average Interest Rate (a)	Maturity Date	Periodic Payment	Estimated Balloon Payment (b)
	<S> 12/31/98	<C> 12/31/97				
Marquette Mall and Office Building	\$ 1,941,800	\$ 2,202,200	7.75%	7/1/2002	\$37,142	\$ 759,100
	730,000	915,600	7.75%	7/1/2002	\$21,458	None
	7,220,000 (c) (d)	7,820,000	8.38%	9/30/1999	(c)	(c)
Burlington I, II and III Office Center	11,000,000 (d)	11,000,000	7.38%	5/15/1999 (e)	(g)	\$11,000,000
Prentice Plaza (50%)	4,754,400	4,798,100	7.50%	12/19/2000	(f)	\$ 4,655,200
	\$25,646,200	\$26,735,900				

- </TABLE>
- (a) The average interest rate represents an average for the year ended December 31, 1998. Interest rates are subject to change in accordance with the provisions of the loan agreements on Marquette's junior mortgage loan, Burlington's and Prentice Plaza's mortgage loans. As of December 31, 1998, interest rates on the Marquette junior loan and the Burlington and Prentice Plaza loans were 8.38%, 7.25% and 7.87%, respectively.
  - (b) Repayment may require sale or refinancing of the respective property.
  - (c) On September 30, 1998, the Partnership exercised its option to extend the maturity date of the junior mortgage loan collateralized by Marquette. Significant terms include a 0.5% extension fee, interest at 30-day LIBOR plus 275 basis points and monthly principal amortization payments of \$50,000. Additional terms include a maturity date of September 30, 1999 and a prohibition on distributions to Partners of the Partnership.
  - (d) Loan is recourse to the Partnership and prohibits distributions to Partners.
  - (e) In March, 1999, the Partnership exercised its option to extend the maturity date of this loan to May 15, 2000.
  - (f) In addition to monthly interest, monthly principal payments of \$3,960 and \$4,305 are required commencing on January 1 of 1999 and 2000, respectively.
  - (g) Interest only payments due monthly.

Principal amortization of mortgage loans payable for the duration of the loans based on their terms as of December 31, 1998 was as follows:

<TABLE>

<S>	<C>
1999	\$18,781,600
2000	5,262,300
2001	600,100
2002	1,002,200
	-----
	\$25,646,200
	-----

</TABLE>

5. FUTURE MINIMUM RENTS:  
The Partnership's share of future minimum rental income due on noncancelable leases as of December 31, 1998 was as follows:

<TABLE>

<S>	<C>
1999	\$ 5,619,700
2000	4,352,200
2001	2,928,000
2002	2,159,700
2003	1,452,900
Thereafter	3,075,200
	-----

-----

</TABLE>

The Partnership is subject to the usual business risks associated with the collection of the above-scheduled rents. In addition to the amounts scheduled above, the Partnership expects to receive rental revenue from (i) operating expense and real estate tax reimbursements, (ii) parking income and (iii) percentage rents. Percentage rents earned for the years ended December 31, 1998, 1997 and 1996 were \$396,800, \$271,500 and \$245,100, respectively.

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6. INCOME TAX:

The Partnership utilizes the accrual method of accounting for both income tax reporting and financial statement purposes. Financial statement results will differ from income tax results due to the use of differing depreciation lives and methods, the recognition of rents received in advance as taxable income and the Partnership's provisions for value impairment. For the year ended December 31, 1998, the results for income tax reporting purposes was net income of \$30,900. The aggregate cost of commercial rental properties for federal income tax purposes at December 31, 1998 was \$59,463,600.

7. PROPERTY SALES:

On June 16, 1997, a joint venture in which the Partnership owned a 50% interest sold Regency for a sale price of \$19,325,000, of which the Partnership's share was \$9,662,500. The Partnership's share of net proceeds from this transaction was \$1,735,600, which is net of closing expenses and the repayment of the mortgage loan encumbering the property. The Partnership recorded a gain of \$1,598,800 for the year ended December 31, 1997 in connection with this sale. Net proceeds received from this transaction were retained to supplement working capital reserves. For income tax purposes the Partnership reported a (loss) of \$(4,631,700) for the year ended December 31, 1997.

On August 28, 1996, the joint venture which owned Sentry West consummated the sale of Sentry West for a price of \$11,650,000. The Partnership's 50% share of the proceeds from this transaction, which was net of selling expenses and the repayment of the mortgage loan for Sentry West was approximately \$894,500. Pursuant to an agreement with the junior mortgage lender for Marquette, the Partnership's entire share of the net proceeds from this sale was used to paydown the principal balance of the junior mortgage loan collateralized by Marquette. The net gain reported by the Partnership for financial statement purposes was \$816,100. For income tax purposes the Partnership reported a (loss) of \$(4,758,200) for the year ended December 31, 1996 in connection with this sale.

All of the above sales were all-cash transactions, with no further involvement on the part of the Partnership.

8. CONTINGENCY:

In July 1998, the Partnership was named as a defendant in a cost recovery action for a superfund site related to Marquette. In October 1998, the case against the Partnership was voluntarily dismissed by the plaintiff as a result of the Partnership demonstrating that all of the disposal activities predated the Partnership's ownership of Marquette.

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FIRST CAPITAL INCOME PROPERTIES, LTD. - SERIES XI

SCHEDULE III - REAL ESTATE AND ACCUMULATED DEPRECIATION  
AS OF DECEMBER 31, 1998

<TABLE>

<CAPTION>

Column A	Column B	Column C		Column D		Column E	
Description	Encumbrances	Initial cost to Partnership		Costs capitalized subsequent to acquisition		Gross amount at which carried at close of period	
		Land	Buildings and Improvements	Improvements	Carrying Costs (1)	Land	Buildings and Improvements
							Total (2) (3)
<S>	<C>	<C>	<C>	<C>	<C>	<C>	<C>
Shopping Center: Marquette Mall and Office Building (Michigan City, IN) (100% Interest)	\$ 9,891,800	\$ 2,000,000	\$ 20,306,700	\$ 3,947,700	\$ 164,800	\$ 1,930,500	\$ 17,319,200
							\$ 19,249,700 (4)



Office Buildings: Burlington Office Centers I, II and III (Ann Arbor, MI) (100% Interest)	11,000,000	3,000,000	17,597,800	2,435,500	72,500	3,000,000	16,605,800	19,605,800 (4)
Prentice Plaza (Englewood, CO) (50% Interest)	4,754,400	1,139,600	7,390,200	1,437,500	40,800	1,139,600	8,868,500	10,008,100
	\$ 25,646,200	\$ 6,139,600	\$ 45,294,700	\$ 7,820,700	\$ 278,100	\$ 6,070,100	\$ 42,793,500	\$ 48,863,600

</TABLE>  
<TABLE>  
<CAPTION>

	Column F ----- Accumulated Depreciation (2) ----- <C>	Column G ----- Date of Construction ----- <C>	Column H ----- Date Acquired ----- <C>	Column I ----- Life on which depreciation in latest income statements is computed ----- <C>
Shopping Center: ----- Marquette Mall and Office Building (Michigan City, IN) (100% Interest)	\$ 7,558,600	1967	Dec. 1986	35 (5) 2-10 (6)
Office Buildings: ----- Burlington Office Centers I, II and III (Ann Arbor, MI) (100% Interest)	\$ 5,917,900	(7)	(7)	35 (5) 2-10 (6)
Prentice Plaza (Englewood, CO) (50% Interest)	\$ 3,724,100	1985	Mar. 1988	35 (5) 2-10 (6)
	\$ 17,200,600 =====			

</TABLE>

See accompanying notes on following page.

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FIRST CAPITAL INCOME PROPERTIES, LTD. - SERIES XI

NOTES TO SCHEDULE III

Note 1. Consists of legal fees, appraisal fees, title costs and other related professional fees.

Note 2. The following is a reconciliation of activity in columns E and F:

<TABLE>  
<CAPTION>

	Years ended					
	December 31, 1998		December 31, 1997		December 31, 1996	
	Cost	Accumulated Depreciation	Cost	Accumulated Depreciation	Cost	Accumulated Depreciation
<S>	<C>	<C>	<C>	<C>	<C>	<C>
Balance at the beginning of the year	\$48,230,100	\$15,801,900	\$58,025,200	\$17,062,800	\$65,275,200	\$18,551,100
Additions during the year:						
Improvements	633,500		592,400		875,900	
Provisions for depreciation		1,398,700		1,375,200		1,649,600

Deductions  
during the  
year:

Cost of real estate sold			(10,387,500)		(8,125,900)	
Accumulated depreciation on real estate sold	-----	-----	-----	(2,636,100)	-----	(3,137,900)
Balance at the end of the year	\$48,863,600	\$17,200,600	\$48,230,100	\$15,801,900	\$58,025,200	\$17,062,800
	=====	=====	=====	=====	=====	=====

</TABLE>

Note 3. The aggregate cost for federal income tax purposes as of December 31, 1998 was \$59,463,600.

Note 4. Includes cumulative provisions for value impairment of \$7,100,000 and \$3,500,000 for Marquette and Burlington, respectively.

Note 5. Estimated useful life in years for building.

Note 6. Estimated useful life in years for improvements.

Note 7. Burlington Office Center I was completed in 1983, Burlington Office Center II was completed in 1985 and Burlington Office Center III was completed in 1989. Burlington Office Center I and II were purchased in September 1988 and Burlington Office Center III was purchased in September 1989.

BURLINGTON OFFICE CENTER - BUILDING I

STANDARD FORM OFFICE LEASE

BETWEEN

BURLINGTON ASSOCIATES GENERAL PARTNERSHIP ("LANDLORD") by its agent,  
Equity Office Properties Management Corp., a Delaware corporation

AND

THE REGENTS OF THE UNIVERSITY OF MICHIGAN, a Michigan Constitutional corporation  
("TENANT")

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- EXHIBIT B - Building Rules and Regulations
- EXHIBIT C - Additional Terms and Conditions
- EXHIBIT D - Landlord Work

OFFICE LEASE AGREEMENT

This Office Lease Agreement (the "Lease") is made and entered into as of \_\_\_\_\_ by and between Burlington Associates General Partnership, an Illinois General Partnership ("Landlord") by its agent, Equity Office Properties Management Corp., a Delaware corporation and THE REGENTS OF THE UNIVERSITY OF MICHIGAN, a Michigan Constitutional corporation ("Tenant"), whose address for the purpose of notices to Tenant prior to commencement of the Term of this Lease shall be at University of Michigan Hospital and Health Centers, 300 North Ingalls, Room N16E10, Ann Arbor, Michigan 48109-0444.

I. Basic Lease Information; Definitions.

- A. The following is some of the basic lease information and defined terms used in this Lease.
  - 1. "Additional Base Rental" shall mean Tenant's Pro Rata Share of Basic Costs and any other sums (exclusive of Base Rental) that are required to be paid by Tenant to Landlord hereunder. Additional Base Rental and Base Rental sometimes collectively are referred to herein as "Rent".
  - 2. "Monthly Rent" (sometimes referred to herein as "Base Rental")

shall mean the sum of One Million Eight Hundred Twenty Seven Thousand Two Hundred Thirty and 04/100 Dollars (\$1,827,230.04) (plus any Monthly Rent payable for any partial calendar month at the beginning of the term of the Lease), payable by Tenant to Landlord in Sixty (60) monthly installments as follows:

- a. Twelve equal installments of Twenty Nine Thousand Six Hundred Fifty Two and 42/100 Dollars (\$29,652.42), each payable on or before the first day of each month during the period beginning on the first day of the first (1st) full calendar month of the term of the Lease and ending on the last day of the twelfth (12th) full calendar month of the term of the Lease. If the Commencement Date does not occur on the first day of a calendar month, Tenant shall pay monthly rent for such initial calendar month at the rate of Nine Hundred Eighty Eight and 41/100 Dollars (\$988.41) per day. Such monthly rent shall be payable on the Commencement Date, provided that the installment of monthly rent for the first full calendar month of the term of the Lease shall be payable upon the execution of this Lease by Tenant.
- b. Twelve (12) equal installments of Thirty Thousand Fifty Three and 13/100 Dollars (\$30,053.13) each payable on or before the first day of each month during the period beginning on the first day of the thirteenth (13th) full calendar month following the

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Commencement Date, and ending on the last day of the twenty fourth (24th) full calendar month of the term of the Lease.

- c. Twelve (12) equal installments of Thirty Thousand Four Hundred Fifty Three and 83/100 Dollars (\$30,453.83) each payable on or before the first day of each month during the period beginning on the first day of the twenty fifth (25th) full calendar month following the Commencement Date, and ending on the last day of the thirty sixth (36th) full calendar month of the term of the Lease.
- d. Twelve (12) equal installments of Thirty Thousand Eight Hundred Fifty Four and 54/100 Dollars (\$30,854.54) each payable on or before the first day of each month during the period beginning on the first day of the thirty seventh (37th) full calendar month following the Commencement Date, and ending on the last day of the forty eighth (48th) full calendar month of the term of the Lease.
- e. Twelve (12) equal installments of Thirty One Thousand Two Hundred Fifty Five and 25/100 Dollars (\$31,255.25) each

payable on or before the first day of each month during the period beginning on the first day of the forty ninth (49th) full calendar month following the Commencement Date, and ending on the last day of the sixtieth (60th) full calendar month of the term of the Lease.

3. "Base Year" shall mean 1998.
4. "Building" shall mean the office building located at 325 E. Eisenhower Parkway, Ann Arbor, MI 48108 and commonly known as Building I at Burlington Office Center.
5. The "Commencement Date", "Lease Term" and "Termination Date" shall have the meanings set forth in subsection I.A.5.b. below:
  - a. INTENTIONALLY OMITTED.
  - b. The "Lease Term" shall mean a period of sixty (60) months commencing on the later to occur of (1) September 1, 1998 (the "Target Commencement Date") and (2) the date upon which Landlord Work in the Premises has been substantially completed, as such date is determined pursuant to Section III.A. hereof (the later to occur of such dates being defined as the "Commencement Date"). The "Termination Date" shall, unless sooner terminated as provided herein, mean the last day of the Lease Term. Notwithstanding the foregoing, if the Termination Date, as determined herein, does not occur on the last day of a calendar month, Landlord, at its option, may extend the Lease Term by the number of days necessary to cause the Termination

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Date to occur on the last day of the last calendar month of the Lease Term. Tenant shall pay Base Rental and Additional Base Rental for such additional days at the same rate payable for the portion of the last calendar month immediately preceding such extension.

6. "Landlord Work" shall mean the work, if any, that Landlord is obligated to perform pursuant to Exhibit D.
7. "Notice Addresses" shall mean Real Estate Coordinator, University of Michigan Health Systems, 300 North Ingalls, Room N16E10, Ann Arbor, Michigan 48109-0444, for Tenant prior to and after the commencement of the Term of this Lease, and, for Landlord, shall mean: Ann Arbor Associates, 315 E. Eisenhower Parkway, Suite 220, Ann Arbor, MI 48108, with a copy to Equity Office Properties Management Corp., Two North Riverside Plaza, Suite 2200, Chicago, Illinois 60606, Attention: General Counsel of Properties

Operation.

8. "Permitted Use" shall mean: General and Medical office use, subject to the provisions of Exhibit C attached hereto.
9. "Premises" shall mean the area located on the second (2nd) floor of the Building and outlined on Exhibit A attached hereto and incorporated herein. Landlord and Tenant hereby stipulate and agree that the square footage of the Premises shall mean 19,234 rentable square feet. The square footage of the Building shall mean approximately 68,620 rentable square feet.
10. "Prepaid Rental": INTENTIONALLY OMITTED.
11. "Tenant's Pro Rata Share" shall mean twenty eight and two hundred ninety seven ten thousandths percent (28.0297%), which is the quotient (expressed as a percentage) derived by dividing the square footage of the Premises by the square footage of the Building.

B. The following are additional definitions of some of the defined terms used in the Lease: (1) "Common Areas" shall mean those areas provided by Landlord for the common use or benefit of all tenants generally and/or the public; (2) "Owner" shall mean the entity(ies), from time to time, which own the Property or any portion thereof; (3) "Prime Rate" shall mean the per annum interest rate publicly announced by Bank of America, National Trust and Savings Association or any successor thereof from time to time (whether or not charged in each instance) as its prime or base rate; and (4) "Property" shall mean the Building and the parcel of land on which it is located and, at Landlord's discretion, the Building garage, if any, and all other improvements serving the Building and the tenants thereof and the parcel(s) of land on which they are located.

## II. Lease Grant.

Subject to and upon the terms herein set forth, Landlord leases to Tenant and Tenant leases from Landlord the Premises.

## III. Adjustment of Commencement Date/Possession.

A. If the Lease Term, Commencement Date and Termination Date are to be determined in accordance with subsection I.A.5.b., the Lease Term shall not commence until the later to occur of the Commencement Date specified above and the date that Landlord has substantially completed the Landlord Work; provided, however, that if Landlord shall be delayed in substantially completing the Landlord Work as a result of the occurrence of any delays caused by Tenant or its agents, employees

or contractors then, for purposes of determining the Commencement Date, the date of substantial completion shall be deemed to be the day that said Landlord Work would have been substantially completed absent any delay(s). The Premises shall be deemed to be substantially completed on the date that Landlord reasonably determines that all Landlord's Work has been performed (or would have been performed absent any delays), other than any details of construction, mechanical adjustment or any other matter, the noncompletion of which does not materially interfere with Tenant's use of the Premises; provided there has been a satisfactory final inspection by the city of Ann Arbor in anticipation of the issuance of a Certificate of Occupancy. The adjustment of the Commencement Date and, accordingly, the postponement of Tenant's obligation to pay Rent shall be Tenant's sole remedy and shall constitute full settlement of all claims that Tenant might otherwise have against Landlord by reason of the Premises not being ready for occupancy by Tenant on the Commencement Date specified above. Landlord's determination of the Commencement Date shall be final and binding on all parties. Promptly after the determination of the Commencement Date by Landlord, Landlord shall prepare a letter agreement (the "Commencement Letter") on the form attached hereto as Exhibit C setting forth the Commencement Date, the Termination Date and any other dates that are affected by the adjustment of the Commencement Date. Tenant, within five (5) days after receipt thereof from Landlord, shall execute the Commencement Letter and return the same to Landlord. Landlord, in its sole discretion, may elect not to adjust the Commencement Date as provided above, in which case Rent shall not commence until the date that Landlord Work has been substantially completed (or would have been substantially completed absent any delays).

- B. By taking possession of the Premises, Tenant is deemed to have: (1) accepted the Premises and agreed that the Premises is in good order and satisfactory condition; and (2) agreed that Landlord has no obligation to clean, decorate, alter, remodel, improve or repair the Premises or the Building unless said obligation is specifically set forth in this Lease. Landlord and Tenant acknowledge that, upon completion of the Landlord Work and approval after a final inspection performed by the City of Ann Arbor Building Department or

equivalent governing agency, the Premises will be suitable for Tenant's intended use as shown on the Plans, as defined in Exhibit D, as approved by Landlord. Tenant's acceptance of the Premises shall be subject to Landlord's obligation to correct portions of the Landlord Work as set forth on a construction "punch list" prepared by Landlord and Tenant in accordance with the terms hereof. Within fifteen (15) business days after the substantial completion of the Landlord Work, Landlord and Tenant shall together conduct an inspection of the Premises and prepare the punch list setting forth any portions of the



Landlord Work that are not in conformity with the Landlord Work as required by the terms of this Lease. Notwithstanding the foregoing, at the request of Landlord, such construction punch list shall be mutually prepared by Landlord and Tenant prior to the date on which Tenant first begins to move its furniture, equipment or other personal property into the Premises. Landlord, as part of the Landlord Work, shall use good faith efforts to correct all such items within a reasonable time following the completion of the punch list. If an existing tenant holds over in the Premises, the Lease Term shall not commence until the vacation of the Premises by such holdover tenant. This Lease shall not be affected by any such failure to deliver possession and Tenant shall have no claim for damages against Landlord as a result thereof. If Tenant takes possession of the Premises prior to the Commencement Date for any reason whatsoever, such possession shall be subject to all the terms and conditions of the Lease and Tenant shall pay Base Rental and Additional Base Rental to Landlord on a per diem basis for each day of occupancy prior to the Commencement Date. Notwithstanding the foregoing, if Tenant, with Landlord's prior approval, takes possession of the Premises prior to the Commencement Date for the sole purpose of performing any Landlord-approved improvements therein or installing furniture, equipment or other personal property of Tenant, such possession shall be subject to all of the terms and conditions of the Lease, except that Tenant shall not be required to pay Base Rental or Additional Base Rental with respect to the period of time prior to the Commencement Date. Tenant shall, however, be liable for the cost of any services (e.g. electricity, HVAC, freight elevators) that are provided to Tenant or the Premises during the period of Tenant's possession prior to the Commencement Date.

#### IV. Use.

The Premises shall be used for the Permitted Use and for no other purpose. Tenant agrees not to use or permit the use of the Premises for any purpose which is illegal, dangerous or which, in Landlord's opinion, creates a nuisance or which would increase the cost of insurance coverage with respect to the Building. Tenant shall conduct its business and control its agents, servants, contractors, employees, customers, licensees, and invitees (collectively, the "Tenant Related Parties") in such a manner as not to interfere with, annoy or disturb other tenants, or in any way interfere with Landlord in the management and operation of the Building. Tenant will maintain the Premises in a clean and healthful condition, and comply with all applicable laws, ordinances, orders, rules and regulations of any governmental entity with reference to the operation of Tenant's business and to the use, condition, configuration or occupancy of the Premises, including without limitation, the Americans with Disabilities Act (collectively referred to as "Laws"). Tenant, within ten (10) days after receipt thereof, shall

provide Landlord with copies of any notices it receives with respect to a violation or alleged violation of any Laws. Tenant will comply with the rules and regulations of the Building attached hereto as Exhibit B and such other rules and regulations adopted and altered by Landlord from time to time and will cause all Tenant Related Parties to do so. Landlord, at its sole cost and expense (except to the extent properly included in operating expenses), shall be responsible for correcting any violations of Title III of the Americans with Disabilities Act with respect to the Premises and the Common Areas of the building, provided that Landlord's obligation with respect to the Premises shall be limited to violations that arise out of the Landlord Work and/or the condition of the Premises prior to the installation of any furniture, equipment and other personal property of Tenant. Notwithstanding the foregoing, Landlord shall have the right to contest any alleged violation in good faith, including, without limitation, the right to apply for and obtain a waiver or deferment of compliance, the right to assert any and all defenses allowed by law and the right to appeal any decisions, judgments or rulings to the fullest extent permitted by law. Landlord, after the exhaustion of any and all rights to appeal or contest, will make all repairs, additions, alterations or improvements necessary to comply with the terms of any final order or judgment. Notwithstanding the foregoing, Tenant, not Landlord, shall be responsible for the correction of any violations that arise out of or in connection with any claims brought under any provision of the Americans with Disabilities Act other than Title III, the specific nature of Tenant's business in the Premises (other than general office use), the acts or omission of Tenant, its agents, employees and contractors, Tenant's arrangement of any furniture, equipment or other property in the Premises, any repairs, alterations, additions or improvements performed by or on behalf of Tenant (other than the Landlord Work) and any design or configuration of the Premises specifically requested by Tenant after being informed that such design or configuration may not be in strict compliance with the ADA.

#### V. Rent.

- A. During each calendar year, or portion thereof, falling within the Lease Term, Tenant shall pay to Landlord as Additional Base Rental hereunder the sum of (1) Tenant's Pro Rata Share of the amount, if any, by which Taxes (hereinafter defined) for the applicable calendar year exceed Taxes for the Base Year plus (2) Tenant's Pro Rata Share of the amount, if any, by which Expenses (hereinafter defined) for the applicable calendar year exceed Expenses for the Base Year. For purposes hereof, "Expenses" shall mean all Basic Costs with the exception of Taxes. Tenant's Pro Rata Share of increases in Taxes and Tenant's Pro Rata Share of increases in Expenses shall be computed separate and independent of each other prior to being added together to determine the "Excess". In the event that Taxes and/or Expenses, as the case may be, in any calendar year decrease below the amount of Taxes or Expenses for the Base Year, Tenant shall be entitled to its Pro Rata Share of the decrease in Taxes and/or Expenses below the corresponding amount for the Base Year.

Landlord shall have the option of either (i) billing Tenant for its actual Pro Rata Share of Expenses and Taxes on an annual basis; or (ii) billing Tenant for its estimated Pro Rata Share of Taxes and Expenses on a monthly or quarterly basis and providing Tenant with a reconciled billing of such estimated amounts when the actual Taxes and Expenses for the period in question have been

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determined. If Landlord elects to bill Tenant based upon monthly or quarterly estimates, prior to the Commencement Date and prior to January 1 of each calendar year during the Lease Term, or as soon thereafter as practical, Landlord shall make a good faith estimate of the Excess for the applicable calendar year and Tenant's Pro Rata Share thereof. On or before the first day of each month (or each quarter, as the case may be) during such calendar year, Tenant shall pay to Landlord, as Additional Base Rental, an installment equal to one-twelfth (or one quarter, as the case may be) of Tenant's Pro Rata Share of Landlord's estimate of the Excess. Landlord shall have the right from time to time during any such calendar year to revise the estimate of Basic Costs and the Excess for such year and provide Tenant with a revised statement therefor, and thereafter the amount Tenant shall pay each month (or quarter, as the case may be) shall be based upon such revised estimate. If Landlord does not provide Tenant with an estimate of the Basic Costs and the Excess by January 1 of any calendar year, Tenant shall continue to pay an installment based on the previous year's estimate until such time as Landlord provides Tenant with an estimate of Basic Costs and the Excess for the current year. Upon receipt of such current year's estimate, an adjustment shall be made for any period during the current year with respect to which Tenant paid installments of Additional Base Rental based on the previous year's estimate. Tenant shall pay Landlord for any underpayment within thirty (30) days. Any overpayment equal to or less than one (1) month's installment of Base Rental plus Additional Base Rental shall, at Landlord's option, be refunded to Tenant or credited against the installments of Base Rental and Additional Base Rental due for the month(s) immediately following the furnishing of such estimate. In the event of any overpayment in excess of the equivalent of one (1) month's installment of Base Rental plus Additional Base Rental, the excess shall, at Tenant's option, be refunded to Tenant or credited against the installment(s) of Base Rental and Additional Base Rental due for the months immediately following the furnishing of such estimate. Any amounts paid by Tenant based on any estimate shall be subject to adjustment pursuant to the immediately following paragraph when actual Basic Costs are determined for such calendar year.

As soon as is practical following the end of each calendar year during the Lease Term, Landlord shall furnish to Tenant a statement of Tenant's Pro Rata Share of the actual Excess for the previous calendar year. Landlord shall use reasonable efforts to furnish the statement

of actual Basic Costs on or before March 1 of the calendar year immediately following the calendar year to which the statement applies. Tenant shall pay such Pro Rata Share to Landlord within thirty (30) days after receipt of an invoice from Landlord setting forth such amount. Any estimated amounts paid by Tenant to Landlord in accordance with the foregoing paragraph shall be credited against Tenant's Pro Rata Share of the actual Excess. If the estimated amounts actually paid by Tenant for the prior year are in excess of Tenant's actual Pro Rata Share of the Excess for such prior year, then Landlord shall refund to Tenant any overpayment in excess of the equivalent of one (1) month's installment of Base Rental plus Additional Base Rental and apply the one (1) month's equivalent against Base Rental plus Additional Base Rental due or to become due hereunder (or, at Tenant's option, Landlord shall apply the entirety of such overpayment against

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Base Rental and Additional Base Rental due or to become due hereunder); provided if the Lease Term expires prior to the determination of such overpayment, Landlord shall refund such overpayment to Tenant after first deducting the amount of any Rent due hereunder.

- B. Basic Costs shall mean all costs and expenses paid or incurred in each calendar year in connection with operating, maintaining, repairing, managing and owning the Building and the Property, including, but not limited to, the following:
1. All labor costs for all persons performing services required or utilized in connection with the operation, repair, replacement and maintenance of and control of access to the Building and the Property, including but not limited to amounts incurred for wages, salaries and other compensation for services, payroll, social security, unemployment and other similar taxes, workers' compensation insurance, uniforms, training, disability benefits, pensions, hospitalization, retirement plans, group insurance or any other similar or like expenses or benefits.
  2. All management fees, the cost of equipping and maintaining a management office at the Building, accounting services, legal fees not attributable to leasing and collection activity, and all other administrative costs relating to the Building and the Property.
  3. All rental and/or purchase costs of materials, supplies, tools and equipment used in the operation, repair, replacement and maintenance and the control of access to the Building and the Property.
  4. All amounts charged to Landlord by contractors and/or suppliers

for services, replacement parts, components, materials, equipment and supplies furnished in connection with the operation, repair, maintenance, replacement of and control of access to any part of the Building, or the Property generally, including the heating, air conditioning, ventilating, plumbing, electrical, elevator, phone-in access system, and other systems and equipment. At Landlord's option, major repair items may be amortized over a period of up to five (5) years.

5. All premiums and deductibles paid by Landlord for fire and extended coverage insurance, earthquake and extended coverage insurance, liability and extended coverage insurance, rental loss insurance, elevator insurance, boiler insurance and other insurance customarily carried from time to time by lessors of comparable office buildings or required to be carried by Landlord's Mortgagee.
6. Charges for all utilities, including but not limited to water and sewer, but excluding electricity provided to leased space for power and lighting and those charges which Tenant is required to reimburse Landlord under Article X of this Lease.

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7. "Taxes", which for purposes hereof, shall mean: (a) all real estate taxes and assessments on the Property, the Building or the Premises, and taxes and assessments levied in substitution or supplementation in whole or in part of such taxes, (b) all personal property taxes for the Building's personal property, including license expenses, (c) all taxes imposed on services of Landlord's agents and employees, (d) all other taxes, fees or assessments now or hereafter levied by any governmental authority on the Property, the Building or its contents or on the operation and use thereof (except as relate to specific tenants), and (e) all costs and fees incurred in connection with seeking reductions in or refunds in Taxes including, without limitation, any costs incurred by Landlord to challenge the tax valuation of the Building, but excluding income taxes. For the purpose of determining real estate taxes and assessments for any given calendar year, the amount to be included in Taxes for such year shall be as follows: (1) with respect to any special assessment that is payable in installments, Taxes for such year shall include the amount of the installment (and any interest) due and payable during such year; and (2) with respect to all other real estate taxes, Taxes for such year shall, at Landlord's election, include either the amount accrued, assessed or otherwise imposed for such year or the amount due and payable for such year, provided that Landlord's election shall be applied consistently throughout the Lease Term. If a reduction in Taxes is obtained for any year of the Lease Term during which Tenant paid its Pro

Rata Share of Basic Costs, then Basic Costs for such year will be retroactively adjusted and Landlord shall provide Tenant with a credit, if any, based upon such adjustment. Likewise, if a reduction is subsequently obtained for the tax component of Basic Costs for the Base Year (if Tenant's Pro Rata Share is based upon increases in Basic Costs over a Base Year), Basic Costs for the Base Year shall be restated and the Excess for all subsequent years recomputed. Tenant shall pay Landlord Tenant's Pro Rata Share of any such increase in the Excess within thirty (30) days after Tenant's receipt of a statement therefor from Landlord.

8. All landscape expenses and costs of maintaining, repairing, resurfacing and striping of the parking areas and garages of the Property, if any.
9. Cost of all maintenance service agreements, including those for equipment, alarm service, window cleaning, janitorial services, pest control, uniform supply, plant maintenance, landscaping, and any parking equipment.
10. The amortized cost of capital improvements made to the Building or the Property which are: (a) primarily for the purpose of reducing operating expense costs or otherwise improving the operating efficiency of the Property or Building; or (b) required to comply with any laws, rules or regulations of any governmental authority or a requirement of Landlord's insurance carrier. The cost of such capital improvements shall be

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amortized over a period of five (5) years and shall, at Landlord's option, include interest at a rate that is reasonably equivalent to the interest rate that Landlord would be required to pay to finance the cost of the capital improvement in question as of the date such capital improvement is performed, provided if the payback period for any capital improvement is less than five (5) years, Landlord may amortize the cost of such capital improvement over the payback period.

11. Any other expense or charge of any nature whatsoever which, in accordance with general industry practice with respect to the operation of a first-class office building, would be construed as an operating expense.

Notwithstanding the foregoing, if Landlord incurs any common Expenses in connection with the Building and one or more of the buildings commonly known as Building II at Burlington Office Center, located at 315 Eisenhower Parkway, and/or Building III at Burlington Office Center, located at 305 Eisenhower Parkway, the

cost of such Expenses shall be equitably prorated between the Building and such other buildings. If the Building is not at least ninety-five percent (95%) occupied during the Base Year (if applicable) or any calendar year of the Lease Term or if Landlord is not supplying services to at least ninety-five percent (95%) of the total square footage of the Building at any time during the Base Year (if applicable) or any calendar year of the Lease Term, actual Basic Costs for purposes hereof shall, at Landlord's option, be determined as if the Building had been ninety-five percent (95%) occupied and Landlord had been supplying services to ninety-five percent (95%) of the square footage of the Building during such year.

- C. If Basic Costs for any calendar year increase by more than five percent (5%) over Basic Costs for the immediately preceding calendar year (the "Review Threshold"), Tenant, within ninety (90) days after receiving Landlord's statement of actual Basic Costs for a particular calendar year, shall have the right to provide Landlord with written notice (the "Review Notice") of its intent to review Landlord's books and records relating to the Basic Costs for such calendar year. Within thirty (30) days after receipt of a timely Review Notice, Landlord shall make such books and records available to Tenant or Tenant's agent for its review at either Landlord's home office or the office of the Building, provided that if Tenant retains an agent to review Landlord's books and records for any calendar year, such agent must be CPA firm licensed to do business in the state in which the Building is located. If Tenant fails to give Landlord written notice of objection within thirty (30) days after its review or fails to provide Landlord with a Review Notice within the ninety (90) day period provided above, Tenant shall be deemed to have approved Landlord's statement of Basic Costs in all respects and shall thereafter be barred from raising any claims with respect thereto. Any information obtained by Tenant pursuant to the provisions of this Section shall be treated as confidential to the extent permitted by law. Notwithstanding anything herein to the contrary, Tenant shall not be permitted to examine Landlord's books and records or to dispute any statement of Basic Costs unless

Tenant has paid to Landlord the amount due as shown on Landlord's statement of actual Basic Costs, less any disputed increase which is in excess of said Review Threshold, said payment being a condition precedent to Tenant's right to examine Landlord's books and records.

- D. Tenant covenants and agrees to pay to Landlord during the Lease Term, without any setoff or deduction whatsoever except as expressly set forth in this Lease, the full amount of all Base Rental and Additional Base Rental due hereunder. In addition, Tenant shall pay and be liable

for, as additional rent, all rental, sales and use taxes or other similar taxes, if any, levied or imposed by any city, state, county or other governmental body having authority, such payments to be in addition to all other payments required to be paid to Landlord by Tenant under the terms and conditions of this Lease. Any such payments shall be paid concurrently with the payments of the Rent on which the tax is based. The Base Rental, Tenant's Pro Rata Share of Basic Costs and any recurring monthly charges due hereunder shall be due and payable in advance on the first day of each calendar month during the Lease Term without demand. All other items of Rent shall be due and payable by Tenant on or before thirty (30) days after billing by Landlord. If the Lease Term commences on a day other than the first day of a calendar month or terminates on a day other than the last day of a calendar month, then the monthly Base Rental and Tenant's Pro Rata Share of Basic Costs for such month shall be prorated for the number of days in such month occurring within the Term based on a fraction, the numerator of which is the number of days of the Lease Term that fell within such calendar month and the denominator of which is thirty (30).

- E. All Rent not paid within fifteen (15) days of the date it is due and payable shall bear interest from the date due until paid at the lesser of: (1) the Prime Rate per annum; or (2) the greatest per annum rate of interest permitted from time to time under applicable law.

VI. Security Deposit.

INTENTIONALLY OMITTED.

VII. Services to be Furnished by Landlord.

Landlord, as part of Basic Costs (except as provided herein to the contrary), agrees to furnish Tenant the following services: (a) hot and cold water at those points of supply provided for general use of tenants in the Building; (b) central heat and air conditioning in season during Tenant's normal business hours; (c) routine maintenance and electric lighting service for all Common Areas of the Building; (d) janitor service on business days exclusive of Saturdays, Sundays and holidays in accordance with the Janitorial Specifications attached hereto as Exhibit E, or such other reasonably comparable specifications designated, from time to time, by Landlord; and (e) elevator service in common with other tenants of the Building for ingress and egress to and from the floor of the Premises during Landlord's normal business hours. The failure by Landlord to any extent to furnish, or the interruption or termination of these services in

whole or in part, shall not render Landlord liable in any respect nor be construed as an eviction of Tenant or breach of any implied warranty of



habitability, nor give rise to an abatement of Rent, nor relieve Tenant from the obligation to fulfill any covenant or agreement hereof except as expressly set forth herein. Notwithstanding anything to the contrary contained in this Section VII. if: (i) Landlord ceases to furnish any service in the Building for a period in excess of two (2) consecutive days after Tenant notifies Landlord of such cessation (the "Interruption Notice"); (ii) such cessation does not arise as a result of an act or omission of Tenant; (iii) such cessation is not caused by a fire or other casualty (in which case Article XVII shall control); (iv) the restoration of such service is reasonably within the control of Landlord; and (v) as a result of such cessation, the Premises or a material portion thereof, is rendered untenable (meaning that Tenant is unable to use the Premises in the normal course of its business) and Tenant in fact ceases to use the Premises, or material portion thereof, such interruption shall be referred to herein as a "Landlord Curable Cessation of Services", then Tenant shall be entitled to receive an abatement of Base Rental payable hereunder during the period beginning on the third (3rd) consecutive day of such cessation and ending on the day when the service in question has been restored. In the event the entire Premises has not been rendered untenable by the Landlord Curable Cessation of Services, the amount of abatement that Tenant is entitled to receive shall be prorated based upon the percentage of the Premises so rendered untenable and not used by Tenant. In addition to such abatement and in addition to Tenant's remedies provided for herein and any remedies available to Tenant at law or equity, should there be a Landlord Curable Cessation of Services which continues for ten (10) consecutive business days after the Interruption Notice and is not being diligently remedied by Landlord, Tenant may elect, ten (10) days following a second interruption notice (the "Second Interruption Notice") to remedy the Cessation of Services and Landlord shall be obligated to Tenant for the cost incurred by Tenant thereunder. If Landlord fails to reimburse Tenant for the costs incurred in curing the Landlord Curable Cessation of Services within thirty (30) days following Tenant's demand therefor, Tenant may deduct any and all sums owing to Tenant plus interest at the Prime Rate from the next due installment(s) of Base Rental and Additional Base Rental and each subsequent installment of Base Rental and Additional Base Rental until Tenant is fully reimbursed. In the event that the Landlord Curable Cessation of Services: (a) continues for ninety (90) consecutive days after the Interruption Notice; and (b) is not being diligently remedied by Landlord, and (c) Tenant has not elected to cure the Landlord Curable Cessation of Services, Tenant shall have the right to elect to terminate this Lease within ten (10) days after the expiration of said ninety (90) day period without penalty, by delivering written notice to Landlord of its election thereof. Tenant expressly acknowledges that if Landlord, from time to time, elects to provide security services, Landlord shall not be deemed to have warranted the efficiency of any such security personnel, service, procedures or equipment and Landlord shall not be liable in any manner for the failure of any such security personnel, services, procedures or equipment to prevent or control, or apprehend any one suspected of personal injury, property damage or criminal conduct in, on or around the Property.

#### VIII. Leasehold Improvements.

Any and all alterations, additions and improvements to the Premises, all attached furniture, equipment and non-trade fixtures (collectively, "Leasehold Improvements") shall be owned and insured by Landlord and shall remain upon the Premises, all without compensation to Tenant. Any unattached and movable equipment or furniture, trade fixtures or other personalty ("Tenant's Property") shall be owned and insured by Tenant. Landlord may, nonetheless, at any time within thirty (30) days after the expiration or earlier termination of this Lease or Tenant's right to possession, require Tenant to remove any Leasehold Improvements performed by or for the benefit of Tenant and all electronic, phone and data cabling as are designated by Landlord (the "Required Removables") at Tenant's sole cost. In the event that Landlord so elects, Tenant shall remove such Required Removables within ten (10) days after notice from Landlord, provided that in no event shall Tenant be required to remove such Required Removables prior to the expiration or earlier termination of this Lease or Tenant's right to possession. In addition to Tenant's obligation to remove the Required Removables, Tenant shall repair any damage caused by such removal and perform such other work as is reasonably necessary to restore the Premises to a reasonably good condition less normal wear and tear. If Tenant fails to remove the Required Removables after Landlord's request therefor, Landlord may remove, store or dispose of the Required Removables at Tenant's cost, and repair any damage caused by such removal and Tenant shall pay Landlord as additional Rent hereunder, on demand, all such costs.

#### IX. Repairs and Alterations by Tenant.

- A. Tenant shall, at Tenant's own cost and expense, keep the Premises in good condition and repair. Such repairs shall keep the Premises in reasonably good condition less normal wear and tear and shall be effected in compliance with the reasonable directions of Landlord. If Tenant fails to make such repairs to the Premises promptly, Landlord may, at its option, make such repairs, and Tenant shall pay the cost thereof to the Landlord on demand as additional Rent.
  
- B. Tenant shall not make or allow to be made any alterations, additions or improvements ("Alterations") to the Premises, without first obtaining the written consent of Landlord. Except with regard to requests for consent or approval that require Landlord to make a determination of the aesthetics of certain signage, alterations or other things that would be visible from outside the Premises or Building or to assume certain risks, including, without limitation, the risk that a certain alteration, addition and/or improvement could adversely affect the mechanical systems or structure of the Building or require excess removal costs, Landlord and Tenant agree to act reasonably in granting approval or disapproval of any request by the other for consent or approval. Prior to commencing any such work and as a condition to obtaining Landlord's consent, Tenant must furnish

Landlord with plans and specifications; names and addresses of contractors; copies of contracts; necessary permits; evidence of contractor's and subcontractor's insurance in a type and amount acceptable to Landlord; and payment bond or other security, all in form and amount satisfactory to Landlord. All such Alterations shall be installed in a good workmanlike manner using new materials. Landlord shall have the right to designate the time when any such alterations, additions and improvements may be performed and to otherwise designate reasonable rules, regulations and

procedures for the performance of work in the Building. Upon completion, Tenant shall furnish "as-built" plans, contractor's affidavits and full and final waivers of lien and receipted bills covering all labor and materials. All Alterations shall comply with all insurance requirements, codes, ordinances, laws and regulations, including without limitation, the Americans with Disabilities Act. Tenant shall reimburse Landlord upon demand as additional Rent for all sums expended by Landlord for examination of the architectural, mechanical, electric and plumbing plans for any Alterations. If Landlord so requests, and Tenant agrees or Tenant requests and Landlord agrees, Tenant shall permit Landlord to supervise construction operations, but no such supervision shall impose any liability upon Landlord. In the event Landlord supervises such construction, Landlord shall be entitled to a supervisory fee in the amount of five percent (5%) of the cost of such construction. Landlord's approval of Tenant's plans and specifications or supervision of any work performed for or on behalf of Tenant shall not be deemed to be a representation by Landlord that such plans and specifications comply with applicable insurance requirements, building codes, ordinances, laws or regulations or that any such alterations, additions and improvements will be adequate for Tenant's use.

X. Use of Electrical Services by Tenant.

- A. All electricity used by Tenant in the Premises for lighting, power, heating and cooling shall be paid for by Tenant by a separate charge billed by the utility company supplying electricity and payable by Tenant directly to such utility company. Tenant's use of electrical service in the Premises shall not exceed, either in voltage, rated capacity, use or overall load, that which Landlord deems to be standard for the Building.
- B. In addition to the electrical charges set forth in Section X.A. above, Tenant shall pay for its Pro Rata Share of all electricity and gas consumed in connection with the operation of the Building and Property, including, without limitation, all electricity and gas consumed in the operation of the Building HVAC system. The electrical

charge to be paid by Tenant under this Section X.B. shall not, however, include the cost of electricity provided to individual tenant premises in the Building for lighting and power. Tenant shall pay for its Pro Rata Share of all electricity and gas consumed in connection with the operation of the Building and Property on a quarterly basis by a separate charge that is over and above the Base Rental and Additional Base Rental payable under the other provisions of this Lease. Tenant shall pay such charge to Landlord as additional Rent within thirty (30) days after receipt of an invoice from Landlord setting forth such charge.

#### XI. Entry by Landlord.

Landlord and its agents or representatives shall have the right to enter the Premises with twenty four (24) hour notice except in case of emergency to inspect the same, or to show the Premises to prospective purchasers, mortgagees, tenants or insurers, or to clean or make repairs, alterations or additions thereto, including any work that Landlord deems necessary for

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the safety, protection or preservation of the Building or any occupants thereof, or to facilitate repairs, alterations or additions to the Building or any other tenants' premises. Notwithstanding the foregoing, except in emergency situations or to perform routine cleaning of the Premises, Landlord shall provide at least twenty four (24) hours notice of such entry, which notice may be given verbally to the Tenant's representative at the Premises. If reasonably necessary for the protection and safety of Tenant and its employees, Landlord shall have the right to temporarily close the Premises to perform repairs, alterations or additions in the Premises. Entry by Landlord hereunder shall not constitute a constructive eviction or entitle Tenant to any abatement or reduction of Rent by reason thereof.

#### XII. Assignment and Subletting.

- A. Tenant shall not assign, sublease, transfer or encumber this Lease or any interest therein or grant any license, concession or other right of occupancy of the Premises or any portion thereof or otherwise permit the use of the Premises or any portion thereof by any party other than Tenant (any of which events is hereinafter called a "Transfer") without the prior written consent of Landlord. If Tenant requests Landlord's consent to a Transfer, Tenant, together with such consent, shall provide Landlord with the name of the proposed transferee and the nature of the business of the proposed transferee, the term, use, rental rate and all other material terms and conditions of the proposed Transfer, including, without limitation, a copy of the proposed assignment, sublease or other contractual documents and evidence satisfactory to Landlord that the proposed transferee is financially responsible. Landlord may, within thirty (30) days after

receipt of all information and documentation required herein, (a) consent to or refuse to consent to such Transfer in writing; or (b) negotiate directly with the proposed transferee and upon execution of a lease with such transferee, terminate this Lease (in part or in whole, as appropriate) upon thirty (30) days' notice; or (c) cancel and terminate this Lease, in whole or in part as appropriate, upon thirty (30) days' notice. Notwithstanding the foregoing, Landlord shall not have the right to terminate pursuant to b or c above if the proposed transferee is a wholly owned corporation or controlled subsidiary or affiliate of Tenant or a successor to Tenant by purchase, merger, consolidation or reorganization. In addition, Tenant, within five (5) days after receipt of Landlord's notice of intent to terminate, may withdraw its request for consent to the Transfer. In such event, Landlord's election to terminate the Lease shall be null and void and of no force and effect. In the event Landlord consents to any such Transfer, Tenant shall bear all reasonable costs and expenses incurred by Landlord in connection with the review and approval of such documentation. In the event Landlord fails to respond to any request for consent within the thirty (30) day period set forth above, Tenant shall have the right to provide Landlord with a second request for consent. If Landlord's failure to respond continues for ten (10) days after its receipt of such second request for consent, the Transfer for which Tenant has requested consent shall be deemed to have been approved by Landlord. Except with respect to a Transfer to an affiliate, Tenant hereby covenants and agrees to pay to Landlord fifty percent (50%) of all rent and other consideration which it receives which is in excess of the Rent payable hereunder within thirty (30) days following receipt thereof by Tenant. In

determining excess rent in connection with an assignment or subletting, Tenant may deduct the following expenditures resulting from such subletting or assignment: (1) brokerage and marketing fees; (2) legal fees; (3) construction costs; and (4) financial concessions granted in such sublease or assignment. In addition to any other rights Landlord may have, Landlord shall have the right to contact any transferee and require that all payments made pursuant to the Transfer shall be made directly to Landlord. For purposes of this Article XII, an assignment shall be deemed to include a change in the majority control of Tenant, if Tenant is a partnership or a corporation whose stock is not traded publicly; provided this sentence shall not be applicable to the original Tenant named hereunder. Any Transfer consented to by Landlord in accordance with this Article XII shall be only for the Permitted Use and for no other purpose, and in no event shall any Transfer release or relieve Tenant or any Guarantors from any obligations under this Lease. Notwithstanding anything to the contrary contained herein, Tenant may assign its entire interest under

this Lease or sublet the Premises to a wholly owned corporation, partnership or other legal entity or controlled subsidiary, affiliate or parent of Tenant or to any successor to Tenant by purchase, merger, consolidation or reorganization (hereinafter, collectively, referred to as "Permitted Transfer") without the consent of Landlord, provided: (i) Tenant is not in default under this Lease; (ii) if such proposed transferee is a successor to Tenant by purchase, merger, consolidation or reorganization, the continuing or surviving entity shall own all or substantially all of the assets of Tenant and shall have a net worth which is at least equal to the greater of Tenant's net worth at the date of this Lease or Tenant's net worth at the date of the Transfer; (iii) such proposed transferee operates the business in the Premises for the Permitted Use and no other purpose; and (iv) in no event shall any Transfer release or relieve Tenant from any of its obligations under this Lease. Tenant shall give Landlord written notice at least thirty (30) days prior to the effective date of such Permitted Transfer. As used herein: (a) 'parent' shall mean a company which owns a majority of Tenant's voting equity; (b) "controlled" or "subsidiary" shall mean an entity wholly owned by Tenant or at least fifty-one percent (51%) of whose voting equity is owned by Tenant; and (c) "affiliate" shall mean an entity controlled, controlling or under common control with Tenant. Notwithstanding the foregoing, sale of the shares of equity of any affiliate or subsidiary to which this Lease has been assigned or transferred other than to another parent, subsidiary or affiliate of the original Tenant named hereunder shall be deemed to be an assignment requiring the consent of Landlord hereunder.

- B. Notwithstanding anything to the contrary contained herein, Tenant may assign its entire interest under this Lease or sublet the Premises to a wholly owned corporation, partnership or other legal entity, affiliate, subsidiary or parent of Tenant or to any successor to Tenant by purchase, merger, consolidation or reorganization (hereinafter, collectively, referred to as "Permitted Transfer") without the consent of Landlord, provided: (i) Tenant is not in default under this Lease; (ii) if such proposed transferee is a successor to Tenant by purchase, merger, consolidation or reorganization, the continuing or surviving entity shall own all or substantially all of the assets of Tenant and shall have a net worth which is at least equal to the greater of Tenant's net worth at the date of this

Lease or Tenant's net worth at the date of the Transfer; (iii) such proposed transferee operates the business in the Premises for the Permitted Use and no other purpose; and (iv) in no event shall any Transfer release or relieve Tenant from any of its obligations under this Lease. Tenant shall give Landlord written notice at least thirty

(30) days prior to the effective date of such Permitted Transfer. As used herein: (a) 'parent' shall mean a company which owns a majority of Tenant's voting equity; (b) "controlled" or "subsidiary" shall mean a entity wholly owned by Tenant or at least fifty-one percent (51%) of whose voting equity is owned by Tenant; and (c) 'affiliate' shall mean an entity controlled, controlling or under common control with Tenant. Notwithstanding the foregoing, sale of the shares of equity of any affiliate or subsidiary to which this Lease has been assigned or transferred other than to another parent, subsidiary or affiliate of the original Tenant named hereunder shall be deemed to be an assignment requiring the consent of Landlord hereunder.

#### XIII. Liens.

Tenant will not permit any mechanic's liens or other liens to be placed upon the Premises or Tenant's leasehold interest therein, the Building, or the real estate associated therewith. In the event any such lien does attach, Tenant shall, within five (5) days of notice of the filing of said lien, discharge such lien to the satisfaction of Landlord and Landlord's Mortgagee (as hereinafter defined). If Tenant shall fail to so discharge such lien, then, in addition to any other right or remedy of Landlord, Landlord may, but shall not be obligated to, discharge the same. Any amount paid by Landlord for any of the aforesaid purposes, including reasonable attorneys' fees, shall be paid by Tenant to Landlord on demand as additional Rent. Landlord shall have the right to post and keep posted on the Premises any notices that may be provided by law or which Landlord may deem to be proper for the protection of Landlord, the Premises and the Building from such liens.

#### XIV. Indemnity and Waiver of Claims.

- A. Except to the extent such losses, liabilities, obligations, damages, penalties, claims, costs, charges, and expenses result from the negligence of Landlord and/or its agents, employees or contractors, Tenant shall indemnify, defend and hold Landlord, its members, principals, beneficiaries, partners, officers, directors, employees, Mortgagee(s) (if any) and agents, and the respective principals and members of any such agents, (collectively the "Landlord Related Parties") harmless against and from all liabilities, obligations, damages (other than consequential damages), penalties, claims, costs, charges and expenses, including, without limitation, reasonable attorneys' fees and other professional fees (if and to the extent permitted by law), which may be imposed upon, incurred by, or asserted against Landlord or any of the Landlord Related Parties and arising, directly or indirectly, out of or in connection with the acts and omissions of Tenant or any of its Transferees or employees.
- B. To the maximum extent this Lease may be made effective according to law, Tenant waives all claims for loss or damage to Tenant's business or damage to person or property sustained by Tenant or any person claiming by, through or

under Tenant (including Tenant's employees) resulting from any accident or occurrence in, on or about the Premises, the Building or the Property, including, without limitation, claims for loss, theft or damage resulting from: (1) the Premises, Building, or Property, or any equipment or appurtenances becoming out of repair; (2) force majeure; (3) any defect in or failure to operate, for whatever reason, any sprinkler, heating or air-conditioning equipment, electric wiring, gas, water or steam pipes; (4) any act, omission or negligence of other tenants, licensees or any other persons or occupants of the Building or of adjoining or contiguous buildings, of owners of adjacent or contiguous property or the public, or by construction of any private, public or quasi-public work; or (5) any other cause of any nature except, as to items 1-5, where such loss or damage is due to Landlord's negligence or Landlord's willful failure to make repairs required to be made pursuant to other provisions of this Lease, after the expiration of a reasonable time after notice to Landlord of the need for such repairs. Notwithstanding the foregoing, except as provided in Article XVI to the contrary, Tenant shall not be required to waive any claims against Landlord (other than for loss or damage to Tenant's business) where such loss or damage is due to Landlord's negligence. Nothing herein shall be construed as to diminish the repair and maintenance obligations of Landlord contained elsewhere in this Lease.

- C. Except to the extent such losses, liabilities, obligations, damages, penalties, claims, costs, charges and expenses result from the negligence of Tenant or any Tenant Related Parties, Landlord shall indemnify and hold Tenant harmless from and against all liabilities, obligations, damages (other than consequential damages), penalties, claims, costs, charges and expenses, including, without limitation, reasonable attorneys' fees, which may be imposed upon, incurred by, or asserted against Tenant by any third parties and arising, directly or indirectly, out of or in connection with any act or omission of Landlord or its employees.

#### XV. Insurance.

- A. Tenant shall, at all times, carry and maintain, at its sole cost and expense: (a) Commercial General Liability Insurance applicable to the Premises and its appurtenances providing, on an occurrence basis, a minimum combined single limit of Two Million Dollars (\$2,000,000.00); (b) All Risks of Physical Loss Insurance written at replacement cost value and with a replacement cost endorsement covering all of Tenant's Property in the Premises; (c) Workers' Compensation Insurance as required by the state in which the Premises is located and in amounts as may be required by applicable statute, and Employers Liability Coverage of One Million Dollars (\$1,000,000.00) per occurrence; (d)



additional insurance as reasonably required by Landlord. Any company writing any insurance to be maintained pursuant to the terms of this Lease (all such insurance being referred to as "Tenant's Insurance"), as well as the form of such insurance, shall at all times be subject to Landlord's approval. All policies evidencing Tenant's Insurance (except for Workers' Compensation) shall specify Tenant and the "owner(s) of the Building and its (or their) respective members, principals, beneficiaries, partners, officers, directors,

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employees, agents (and their respective members and principals) and mortgagee(s)" (and any other designees of Landlord as the interest of such designees shall appear) as additional insureds. All policies of Tenant's Insurance shall contain endorsements that the insurer(s) will give to Landlord and its designees at least thirty (30) days' advance written notice of any change, cancellation, termination or lapse of said insurance. Tenant shall deliver to Landlord at least fifteen (15) days prior to the time Tenant's Insurance is first required to be carried by Tenant, and upon renewals at least fifteen (15) days prior to the expiration of any such insurance coverage, a certificate of insurance of all policies procured by Tenant in compliance with its obligations under this Lease. The limits of Tenant's Insurance shall in no event limit Tenant's liability under this Lease.

- B. Landlord shall maintain property insurance on the Building in such amounts as Landlord reasonably elects, cost thereof (including Leasehold Improvements approved by Landlord) at the time in question provided that during the Lease Term Landlord shall maintain standard so-called "all risk" property insurance covering the Building in an amount equal to the replacement cost thereof (including Leasehold Improvements approved by Landlord but excluding foundations and footings) at the time in question. Landlord shall also maintain Commercial General Liability coverage written on an occurrence basis with a combined single limit of Five Million Dollars (\$5,000,000.00) The cost of all such insurance shall be included as a part of the Basic Costs, and payments for losses and recoveries thereunder shall be made solely to Landlord or the Mortgagees of Landlord as their interests shall appear.
- C. Provided Tenant is the original Tenant named hereunder and provided Tenant self insures for "All Risks of Physical Loss", Tenant may self-insure for the "All Risks of Physical Loss" coverage specified in this Section. If at any time Tenant is no longer the original Tenant named hereunder, then Tenant must obtain, provide, and keep in full force and effect the above referenced insurance coverage with respect to the Premises and provide Landlord with evidence of the same.

XVI. Subrogation.

Notwithstanding anything set forth in this Lease to the contrary, Landlord and Tenant do hereby agree to cause their respective insurance carriers to waive any and all right of recovery, claim, action or cause of action against the other, their respective principals, beneficiaries, partners, officers, directors, agents, and employees, and, with respect to Landlord, its Mortgagee(s), for any loss or damage that may occur to Landlord or Tenant or any party claiming by, through or under Landlord or Tenant, as the case may be, with respect to their respective property, the Building, the Property or the Premises or any addition or improvements thereto, or any contents therein including the negligence of Landlord or Tenant, or their respective principals, beneficiaries, partners, officers, directors, agents and employees and, with respect to Landlord, its Mortgagee(s), which loss or damage is (or would have been, had the insurance required by this Lease been carried) covered by insurance.

#### XVII. Casualty Damage.

If the Premises or any part thereof shall be damaged by fire or other casualty, Tenant shall give prompt written notice thereof to Landlord. In case the Building shall be so damaged that substantial alteration or reconstruction of the Building shall, in Landlord's sole opinion, be required (whether or not the Premises shall have been damaged by such casualty) or in the event the Premises have been damaged and there is less than two (2) years of the Lease Term remaining on the date of such casualty or in the event any Mortgagee should require that the insurance proceeds payable as a result of a casualty be applied to the payment of the mortgage debt or in the event of any material uninsured loss to the Building or in the event Landlord will not be permitted by applicable law to rebuild the Building in substantially the same form as existed prior to the fire or casualty, Landlord may, at its option, terminate this Lease by notifying Tenant in writing of such termination within ninety (90) days' after the date of such casualty. Such termination shall be effective as of the date of fire or casualty, with respect to any portion of the Premises that was rendered untenable, and the date specified in Landlord's notice, with respect to any portion of the Premises that remained tenantable. In addition to Landlord's rights to terminate as provided herein, Tenant shall have the right to terminate this Lease if: (1) a substantial portion of the Premises has been damaged by fire or other casualty and such damage cannot reasonably be repaired within sixty (60) days after the date of such fire or other casualty; (2) there is less than one (1) year of the Lease Term remaining on the date of such casualty; (3) the casualty was not caused by the negligence or willful misconduct of Tenant or its agents, employees or contractors; and (4) Tenant provides Landlord with written notice of its intent to terminate within thirty (30) days after the date of the fire or other casualty. If neither Landlord nor Tenant elect to terminate this Lease, Landlord shall commence and proceed with reasonable diligence to restore the Premises (but excluding any improvements, alterations or additions made by Tenant in violation of this Lease) to substantially the same condition they were in immediately prior to the happening of the casualty, provided that if Landlord does not have sufficient proceeds to substantially complete the restoration of the Leasehold Improvements in the

Premises and Landlord elects not to fund any shortfall, Landlord shall so notify Tenant and Tenant, within ten (10) days thereafter, shall have the right to terminate this Lease by the giving of written notice to Landlord.

Notwithstanding the foregoing, Landlord's obligation to restore the Building, and the Leasehold Improvements, if any, shall not require Landlord to expend for such repair and restoration work more than the insurance proceeds actually received by the Landlord as a result of the casualty. When the repairs have been completed by Landlord, Tenant shall complete the restoration or replacement of all Tenant's Property necessary to permit Tenant's reoccupancy of the Premises. Landlord shall not be liable for any inconvenience or annoyance to Tenant or injury to the business of Tenant resulting in any way from such damage or the repair thereof, except that, subject to the provisions of the next sentence, Landlord shall allow Tenant a fair diminution of Rent on a per diem basis during the time and to the extent any damage to the Premises causes the Premises to be rendered untenable. Landlord and Tenant hereby waive the provisions of any law from time to time in effect during the Lease Term relating to the effect upon leases of partial or total destruction of leased property. Landlord and Tenant agree that their respective rights in the event of any damage to or destruction of the Premises shall be those specifically set forth herein.

XVIII. Demolition.

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INTENTIONALLY OMITTED.

XIX. Condemnation.

If (a) the whole or any substantial part of the Premises or (b) any portion of the Building or Property which would leave the remainder of the Building unsuitable for use as an office building comparable to its use on the Commencement Date, shall be taken or condemned for any public or quasi-public use, then Landlord may, at its option, terminate this Lease effective as of the date the physical taking of said Premises or said portion of the Building or Property shall occur. Notwithstanding the foregoing, if the whole or any substantial part of the Premises shall be taken or condemned for any public or quasi-public use under governmental law, ordinance or regulation, or by right of eminent domain, or by private purchase in lieu thereof, Tenant shall also have the right to terminate this Lease effective as of the date the physical taking of the Premises occurs. Such right to terminate shall be exercised by written notice to Landlord within thirty (30) days after the date on which Tenant is first notified of the taking. In the event this Lease is not terminated, the square footage of the Building, the square footage of the Premises and Tenant's Pro Rata Share shall be appropriately adjusted. In addition, Rent for any portion of the Premises so taken or condemned shall be abated during the unexpired term of this Lease effective when the physical taking of said portion of the Premises shall occur. All compensation awarded for any such taking or condemnation, or sale proceeds in lieu thereof, shall be the property of Landlord, and Tenant shall have no claim thereto, the same being hereby expressly waived by Tenant. In addition, Tenant may file a claim at its sole

cost and expense and receive an award for the Tenant's Property and Tenant's reasonable relocation expenses, provided the filing of any claim for relocation expenses does not adversely affect or diminish the award which would otherwise have been received by Landlord had Tenant not filed such a claim and received such award.

XX. Events of Default.

The following events shall be deemed to be events of default under this Lease: (a) Tenant shall fail to pay when due any Base Rental, Additional Base Rental or other Rent under this Lease and such failure shall continue for fifteen (15) days after written notice from Landlord (hereinafter sometimes referred to as a "Monetary Default"); (b) any failure by Tenant (other than a Monetary Default) to comply with any term, provision or covenant of this Lease, which failure is not cured within thirty (30) days after delivery to Tenant of notice of the occurrence of such failure, (or such longer period of time as may be reasonably necessary to cure [not to exceed 60 days], provided that Tenant commences to cure such default within thirty [30] days after notice from Landlord and, from time to time upon request of Landlord, furnishes Landlord with evidence that demonstrates, in Landlord's reasonable judgment, that Tenant is diligently pursuing a course that will remedy such failure) provided that if any such failure creates a hazardous condition, such failure must be cured immediately; (c) Tenant or any Guarantor shall become insolvent, or shall make a transfer in fraud of creditors, or shall commit an act of bankruptcy or shall make an assignment for the benefit of creditors, or Tenant or any Guarantor shall admit in writing its inability to pay its debts as they become due; (d) the leasehold estate hereunder shall be taken on execution or other process of law or equity in any action against Tenant; (e) Tenant shall abandon or vacate any substantial portion of the Premises without the prior written permission of Landlord; or (f) Tenant shall fail to take

possession of and occupy the Premises within forty five (45) days following the Commencement Date.

XXI. Remedies.

A. Landlord Remedies.  
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Upon the occurrence of any event or events of default under this Lease, whether enumerated in Article XX or not, Landlord may seek to take possession pursuant to legal proceedings or any notice provided for by law. Landlord may either terminate this Lease or from time to time, without terminating this Lease, relet the premises or any part thereof on such terms and conditions as Landlord shall in its sole discretion deem advisable. Any payments received as a result of such reletting shall be applied: first, to the payment of any indebtedness of Tenant to Landlord other than rent due hereunder; second, to the

payment of any reasonable costs incurred by Landlord in obtaining possession of and reletting the premises, including, without limitation, legal fees, brokerage commissions and the cost of any reasonable alterations and repairs to the premises; third, to the payment of rent due and unpaid hereunder; and the residue, if any, shall be held by Landlord and applied in payment of future rent as the same may become due and payable hereunder. Tenant shall be liable to Landlord for any deficiency.

All rights and remedies herein conferred upon or reserved to Landlord shall be cumulative and none shall be exclusive of any other rights or remedies now or hereafter existing by agreement, applicable law or in equity.

B. Tenant Remedies.

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1. If Landlord shall fail to perform any obligation under this Lease required to be performed by Landlord, Landlord shall not be deemed to be in default hereunder nor subject to claims for damages of any kind, unless such failure shall have continued for a period of thirty (30) days after written notice thereof by Tenant or such additional time as may be required due to Force Majeure. If Landlord shall fail to cure within the time permitted for cure herein, Landlord shall be subject to such claims for damages and remedies as may be available to Tenant, (subject to the other provisions of this Lease); provided, Tenant shall have no right of self-help to perform repairs or any other obligation of Landlord, except as set forth in 2 and 3 below, and shall have no right to abate Rent except such abatement expressly permitted in this Lease.
2. Should Landlord fail to pay within sixty (60) days of Tenant's written demand and Tenant's compliance with its obligations under this Lease any portion of a judgment obtained by Tenant against Landlord as a result of a default by Landlord under this Lease, Tenant shall have the right, on thirty (30) days' notice, to deduct any and all sums owing Tenant, plus statutory interest from the next due installment of Base

Rental and each subsequent installment of Base Rental and Additional Base Rental until Tenant is fully reimbursed. This exercise of set-off shall not constitute an election of remedies except any amounts so recovered shall not be subsequently recovered from Landlord.

3. Notwithstanding the provisions in 2 and 3 above, in the event of a Landlord Curable Cessation of Services as set forth in Article

VII hereof, Tenant shall have the self help rights and set off rights set forth in said Article VII.

XXII. LIMITATION OF LIABILITY.

Notwithstanding anything to the contrary contained in this Lease, the liability of either party (and of any successor to such party hereunder) to the other party shall be limited to a sum equal to the interest of Landlord in the Building, and each party agrees to that its recovery of any judgment or award against the other shall be limited solely to an amount equal to the amount of Landlord's interest in the Building it being intended that neither the parties hereto nor any member, principal, partner, shareholder, officer, director or beneficiary of such parties shall be personally liable for any judgment or deficiency. Each party hereby covenants that, prior to the filing of any suit for an alleged default by the other party hereunder, it shall give the other party (and, in the case of notices to Landlord, all Mortgagees whom Tenant has been notified hold Mortgages or deed of trust liens on the Property, Building or Premises) notice and reasonable time to cure such alleged default. Landlord's notice to Tenant shall be sufficient if given pursuant to the provisions of Article XX, and Tenant's notice to Landlord shall be sufficient if given pursuant to the provisions of Article XX1.B, with copies to Mortgagees as set forth above. In addition, Tenant acknowledges that Equity Office Properties Management Corp. is acting solely in its capacity as agent for Landlord and shall not be liable for any obligations, liabilities, losses or damages arising out of or in connection with this Lease, all of which are expressly waived by Tenant.

XXIII. No Waiver.

Failure of either party to declare any default immediately upon its occurrence, or delay in taking any action in connection with an event of default shall not constitute a waiver of such default, nor shall it constitute an estoppel against such party. Failure by either party to enforce its rights with respect to any one default shall not constitute a waiver of its rights with respect to any subsequent default. Receipt by Landlord of Tenant's keys to the Premises shall not constitute an acceptance or surrender of the Premises.

XXIV. Relocation.

INTENTIONALLY OMITTED.

XXV. Holding Over.

- A. In the event of holding over by Tenant after expiration of this Lease, occupancy of the Premises subsequent to such expiration shall be that of a tenancy on a

month-to-month basis, and Tenant shall, throughout the entire holdover

period, be subject to all the terms and provisions of this Lease and shall pay for its use and occupancy an amount (on a per month basis without reduction for any partial months during any such holdover) equal to 110% of the sum of the Base Rental and Additional Base Rental due for the period immediately preceding such holding over. No holding over by Tenant or payments of money by Tenant to Landlord after the expiration of the term of this Lease shall be construed to extend the Lease Term or prevent Landlord from recovery of immediate possession of the Premises by summary proceedings or otherwise.

- B. In the event of holding over by Tenant after a default under this Lease and a termination of Tenant's rights to possession or occupancy of the Premises as a result of such default, such possession or occupancy subsequent to such default and termination shall be that of a tenancy at sufferance and in no event for month-to-month or year-to-year, but Tenant shall, throughout the entire holdover period, be subject to all the terms and provisions of this Lease and shall pay for its use and occupancy an amount (on a per month basis without reduction for any partial months during any such holdover) equal to 125% of the sum of the Base Rental and Additional Base Rental due for the period immediately preceding such holding over. In addition to the obligation to pay the amounts set forth in this paragraph B, during any such holdover period after a default under this Lease and a termination of Tenant's rights to possession or occupancy of the Premises as a result of such default, Tenant shall also be liable to Landlord for all damage, including any consequential damage, which Landlord may suffer by reason of such holding over by Tenant.

#### XXVI. Subordination to Mortgages; Estoppel Certificate.

Tenant accepts this Lease subject and subordinate to any mortgage, deed of trust, ground lease or other lien presently existing or hereafter arising upon the Premises, or upon the Building and/or the Property and to any renewals, modifications, refinancings and extensions thereof (any such mortgage, deed of trust, lease or other lien being hereinafter referred to as a "Mortgage", and the person or entity having the benefit of same being referred to hereinafter as a "Mortgagee"), but Tenant agrees that any such Mortgagee shall have the right at any time to subordinate such Mortgage to this Lease on such terms and subject to such conditions as such Mortgagee may deem appropriate in its discretion. This clause shall be self-operative and no further instrument of subordination shall be required. If any person shall succeed to all or part of Landlord's interests in the Premises whether by purchase, foreclosure, deed in lieu of foreclosure, power of sale, termination of lease or otherwise, and if and as so requested or required by such successor-in-interest, Tenant shall, without charge, attorn to such successor-in-interest. Tenant agrees that it will from time to time upon request by Landlord and, within five (5) days of the date of such request, execute and deliver to such persons as Landlord shall request a subordination agreement or an estoppel certificate or other similar statement in recordable form certifying that this Lease is unmodified and in full force and effect, stating the dates to which Rent and other charges payable under this Lease have been paid, stating that Landlord is not in default hereunder and

further stating such other matters as Landlord shall reasonably require.

XXVII. Notice.

Whenever any demand, request, approval, consent or notice ("Notice") shall or may be given to either of the parties by the other, each such Notice shall be in writing and shall be sent by registered or certified mail with return receipt requested, or sent by overnight courier service (such as Federal Express) provided that if Tenant has vacated the Premises or is in default of this Lease Landlord may serve notice by any manner permitted by Law. Any Notice under this Lease delivered by registered or certified mail shall be deemed to have been given and effective on the earlier of (a) the third day following the day on which the same shall have been mailed with sufficient postage prepaid or (b) the delivery date indicated on the return receipt. Notice sent by overnight courier service shall be deemed given and effective upon the day after such notice is delivered to or picked up by the overnight courier service. Either party may, at any time, change its Notice Address by giving the other party Notice stating the change and setting forth the new address. Notice shall be sent to the addressees set forth in Article I of the Lease.

XXVIII. Landlord's Lien.

INTENTIONALLY OMITTED, provided that the deletion of this Article shall not be construed to be a waiver of Landlord's lien rights as provided by law.

XXIX. Excepted Rights.

This Lease does not grant any rights to light or air over or about the Building. Landlord specifically excepts and reserves to itself the use of such areas within the Premises as are required for installation of utility lines and other installations required to serve any occupants of the Building and the right to maintain and repair the same, and no rights with respect thereto are conferred upon Tenant unless otherwise specifically provided herein. Landlord further reserves to itself the right from time to time: (a) to change the Building's name or street address; (b) to install, fix and maintain signs on the exterior and interior of the Building; (c) to designate and approve window coverings; (d) to make any decorations, alterations, additions, improvements to the Building, or any part thereof (including the Premises) which Landlord shall desire, or deem necessary for the safety, protection, preservation or improvement of the Building, or as Landlord may be required to do by law; (e) to retain at all times and to use pass-keys to all locks within and into the Premises; (f) to approve the weight, size, or location of heavy equipment and articles in and about the Premises; (g) to close or restrict access to the Building at all times other than Tenant's normal business hours (which are deemed to be between 7:00 a.m. and 7:00 p.m., Monday through Friday) subject to Tenant's right to admittance at all times under such regulations as Landlord may prescribe from time to time, or to close (temporarily or permanently) any of the entrances to the Building; (h) to change the arrangement and/or location of



entrances of passageways, doors and doorways, and Common Areas of the Building; (i) if Tenant has vacated the Premises during the last six (6) months of the Lease Term, to perform additions, alterations and improvements to the Premises in connection with a reletting or anticipated reletting thereof without being responsible or liable for the value or preservation of any then existing improvements to the Premises; and (j) to grant to anyone the exclusive right to conduct any business or undertaking in the Building, provided such business or undertaking is not in direct competition with Tenant's business activity in the Premises.

XXX. Surrender of Premises.

At the expiration or earlier termination of this Lease or Tenant's right of possession hereunder, Tenant shall remove all Tenant's Property from the Premises, remove all Required Removables designated by Landlord and quit and surrender the Premises to Landlord, broom clean, and in good order, condition and repair, ordinary wear and tear excepted. If Tenant fails to remove any of Tenant's Property within ten (10) days after the termination of this Lease or Tenant's right to possession hereunder, Landlord, at Tenant's sole cost and expense, shall be entitled to remove and/or store such Tenant's Property and Landlord shall in no event be responsible for the value, preservation or safekeeping thereof. Tenant shall pay Landlord, upon demand, any and all expenses caused by such removal and all storage charges against such property so long as the same shall be in the possession of Landlord or under the control of Landlord. In addition, if Tenant fails to remove any Tenant's Property from the Premises or storage, as the case may be, within ten (10) days after written notice from Landlord, Landlord, at its option, may deem all or any part of such Tenant's Property to have been abandoned by Tenant and title thereof shall immediately pass to Landlord.

XXXI. Miscellaneous.

Landlord and Tenant hereby agree that: (a) If any term or provision of this Lease shall, to any extent, be invalid or unenforceable, the remainder of this Lease shall not be affected thereby, and each term and provision of this Lease shall be valid and enforced to the fullest extent permitted by law; (b) Tenant shall not record this Lease or any memorandum hereof; (c) This Lease shall be interpreted, construed, and enforced in accordance with the laws of the state in which the Building is located; (d) Events of "Force Majeure" shall include strikes, riots, acts of God, shortages of labor or materials, war, governmental law, regulations or restrictions and any other cause whatsoever that is beyond the control of a party and whenever a period of time is herein prescribed for the taking of any action by that party, the party shall not be liable or responsible for, and there shall be excluded from the computation of such period of time, any delays due to events of Force Majeure; (e) Landlord shall have the right to transfer and assign, in whole or in part, all of its rights and obligations hereunder and in the Building and Property referred to herein, and

in such event and upon such transfer Landlord shall be released from any further obligations hereunder, and Tenant agrees to look solely to such successor in interest of Landlord for the performance of such obligations; (f) Tenant hereby represents to Landlord that it has not dealt with a broker in connection with this Lease and Tenant agrees to indemnify and hold Landlord and the Landlord Related Parties harmless from all claims of any brokers claiming to have represented Tenant in connection with this Lease; (g) Should either party institute any suit against the other party for violation of any of the covenants or conditions of this Lease, or should either party intervene in any suit in which the other is a party to enforce or protect its interest or rights hereunder, the prevailing party in any such suit shall be entitled to all of its costs, expenses and reasonable fees of its attorney(s) (if and to the extent permitted by law) in connection therewith; (h) In the event Tenant is a corporation (including any form of professional association), partnership (general or limited), or other form of organization other than an individual (each such entity is individually referred to herein as an "Organizational Entity"), then each individual executing or attesting this Lease on behalf of Tenant hereby covenants, warrants and represents: (1) that such individual is duly authorized to execute or attest and deliver this Lease on behalf of Tenant in accordance with the organizational documents of Tenant; (2) that this Lease is binding upon Tenant; (3) that Tenant is duly organized and legally existing in the state of its organization, and is qualified to do business in the state in which the Premises is located; (4) that the execution and delivery of

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this Lease by Tenant will not result in any breach of, or constitute a default under, any mortgage, deed of trust, lease, loan, credit agreement, partnership agreement or other contract or instrument to which Tenant is a party or by which Tenant may be bound; (i) At any time during the Lease Term, except when deemed to be confidential by Tenant, Tenant shall provide Landlord, upon ten (10) days' prior written notice from Landlord, with a current financial statement and financial statements of the two (2) years prior to the current financial statement year and such statements shall be prepared in accordance with generally accepted accounting principles and shall be audited by an independent certified public accountant, (j) With respect to all required acts of Tenant, time is of the essence of this Lease; (k) This Lease and the covenants and conditions herein contained shall inure to the benefit of and be binding upon Landlord and Tenant and their respective permitted successors and assigns; (l) Notwithstanding anything to the contrary contained in this Lease, the expiration of the Lease Term, whether by lapse of time or otherwise, shall not relieve Tenant from Tenant's obligations accruing prior to the expiration of the Lease Term and such obligations shall survive any such expiration or other termination of the Lease Term; (m) The headings and titles to the paragraphs of this Lease are for convenience only and shall have no effect upon the construction or interpretation of any part hereof; (n) This Lease may be modified only by a written agreement signed by Landlord and Tenant; (o) Landlord has delivered a copy of this Lease to Tenant for Tenant's review only, and the delivery hereof does not constitute an offer to Tenant or option. This Lease shall not be

effective until an original of this Lease executed by both Landlord and Tenant and an original Guaranty, if any, executed by each Guarantor is delivered to and accepted by Landlord, and this Lease has been approved by Landlord's Mortgagees, if required.

XXXII. Entire Agreement.

This Lease Agreement, including the following Exhibits, constitutes the entire agreement between the parties hereto with respect to the subject matter of this Lease: (a) Exhibit A-Outline and Location of the Premises; (b) Exhibit B-Rules and Regulations; (c) Exhibit C-Additional Terms and Conditions; (d) Exhibit D-Work Letter; and (e) Exhibit E-Janitorial Specifications.

IN WITNESS WHEREOF, Landlord and Tenant have executed this Lease in multiple original counterparts as of the day and year first above written.

WITNESS/ATTEST:

LANDLORD: BURLINGTON ASSOCIATES GENERAL PARTNERSHIP, an Illinois General Partnership

By: EQUITY OFFICE PROPERTIES MANAGEMENT CORP., a Delaware corporation, as agent

\_\_\_\_\_  
Name (print): \_\_\_\_\_

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

\_\_\_\_\_

Name: Arvid Povilaitis

Name (print): \_\_\_\_\_

Title: Vice President

Date: \_\_\_\_\_

WITNESS/ATTEST:

TENANT: REGENTS OF THE UNIVERSITY OF MICHIGAN, a Michigan Constitutional corporation

\_\_\_\_\_  
Name (print): \_\_\_\_\_

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

\_\_\_\_\_

Name: \_\_\_\_\_

Name (print): \_\_\_\_\_

Title: \_\_\_\_\_

Date: \_\_\_\_\_

THE ACKNOWLEDGMENTS ON THESE PAGES ARE REQUIRED IF PROPERTY IS IN DELAWARE, MICHIGAN, OHIO, UTAH, WASHINGTON, D. C. OR WASHINGTON STATE

LANDLORD ACKNOWLEDGMENTS

STATE OF ILLINOIS )
COUNTY OF COOK ) ss:

I, the undersigned, a Notary Public, in and for the County and State aforesaid, do hereby certify that \_\_\_\_\_, personally known to me to be the Vice President of Equity Office Properties Management Corp., a Delaware corporation and personally known to me to be the same person whose name is subscribed to the foregoing instrument, appeared before me this day in person and acknowledged that as such officer of said corporation being authorized so to do, (s)he executed the foregoing instrument on behalf of said corporation, by subscribing the name of such corporation by herself/himself as such officer, as a free and voluntary act, and as the free and voluntary act and deed of said corporation, as agent for the Landlord designated in the foregoing instrument, for the uses and purposes therein set forth.

GIVEN under my hand and official seal this \_\_\_\_ day of \_\_\_\_\_, \_\_\_\_.

\_\_\_\_\_  
Notary Public

My Commission Expires: \_\_\_\_\_

TENANT ACKNOWLEDGMENTS
(Corporation)

STATE OF MICHIGAN)
COUNTY OF ) ss:

On this the \_\_\_\_ day of \_\_\_\_\_, 19\_\_\_\_, before me a Notary Public duly authorized in and for the said County in the State aforesaid to take acknowledgments personally appeared \_\_\_\_\_ known to me to be \_\_\_\_\_ President of \_\_\_\_\_, one of the parties described in the foregoing instrument, and acknowledged that as such officer, being authorized so to do, (s)he executed the foregoing instrument on behalf of said corporation by subscribing the name of such corporation by himself/herself as such officer and caused the corporate seal of said corporation to be affixed thereto, as a free and voluntary act, and as the free and voluntary act of said corporation, for the uses and purposes therein set forth.

IN WITNESS WHEREOF, I hereunto set my hand and official seal as of the date set forth above.

My Commission Expires: \_\_\_\_\_

EXHIBIT A

OUTLINE AND LOCATION OF PREMISES  
-----

This exhibit is attached to and made a part of the Lease dated \_\_\_\_\_, by and between Burlington Associates General Partnership, an Illinois General Partnership ("Landlord") by its agent Equity Office Properties Management Corp., a Delaware corporation, and THE REGENTS OF THE UNIVERSITY OF MICHIGAN, a Michigan Constitutional corporation ("Tenant") for space in the building located at 325 E. Eisenhower Parkway, Ann Arbor, MI 48108.

EXHIBIT B

BUILDING RULES AND REGULATIONS  
-----

The following rules and regulations shall apply, where applicable, to the Premises, the Building, the parking garage associated therewith (if any), the Property and the appurtenances thereto:

1. Sidewalks, doorways, vestibules, halls, stairways and other similar areas shall not be obstructed by Tenant or used by Tenant for any purpose other than ingress and egress to and from the Premises. No rubbish, litter, trash, or material of any nature shall be placed, emptied, or thrown in those areas. At no time shall Tenant permit Tenant's employees to loiter in common areas or elsewhere in or about the Building or Property.
2. Plumbing fixtures and appliances shall be used only for the purposes for which designed, and no sweepings, rubbish, rags or other unsuitable material shall be thrown or placed therein. Damage resulting to any such fixtures or appliances from misuse by Tenant or its agents, employees or invitees, shall be paid for by Tenant, and Landlord shall not in any case be responsible therefor.
3. No signs, advertisements or notices shall be painted or affixed on or to any windows, doors or other parts of the Building, except those of such color, size, style and in such places as shall be first approved in writing

by Landlord. No nails, hooks or screws shall be driven or inserted into any part of the Premises or Building except by the Building maintenance personnel, except for the hanging of light weight pictures nor shall any part of the Building be defaced by Tenant.

4. Landlord may provide and maintain in the first floor (main lobby) of the Building an alphabetical directory board listing all Tenants, and no other directory shall be permitted unless previously consented to by Landlord in writing.
5. Tenant shall not place any additional lock or locks on any door in the Premises or Building without Landlord's prior written consent. A reasonable number of keys to the locks on the doors in the Premises shall be furnished by Landlord to Tenant at the cost of Tenant, and Tenant shall not have any duplicate keys made. All keys shall be returned to Landlord at the expiration or earlier termination of this Lease.
6. All contractors, contractor's representatives, and installation technicians performing work in the Building shall be subject to Landlord's prior approval and shall be required to comply with Landlord's standard rules, regulations, policies and procedures, as the same may be revised from time to time. Tenant shall be solely responsible for complying with all applicable laws, codes and ordinances pursuant to which said work shall be performed.
7. Movement in or out of the Building of furniture or office equipment, or dispatch or receipt by Tenant of any merchandise or materials which require the use of elevators,

stairways, lobby areas, or loading dock areas, shall be restricted to hours designated by Landlord. Tenant must seek Landlord's prior approval by providing in writing a detailed listing of any such activity. If approved by Landlord, such activity shall be under the supervision of Landlord and performed in the manner stated by Landlord. Landlord may prohibit any article, equipment or any other item from being brought into the Building. Tenant is to assume all risk for damage to articles moved and injury to any persons resulting from such activity. If any equipment, property, and/or personnel of Landlord or of any other tenant is damaged or injured as a result of or in connection with such activity, Tenant shall be solely liable for any and all damage or loss resulting therefrom.

8. Landlord shall have the power to prescribe the weight and position of safes and other heavy equipment or items, which in all cases shall not in the opinion of Landlord exceed acceptable floor loading and weight distribution requirements. All damage done to the Building by the installation, maintenance, operation, existence or removal of any property of Tenant shall be repaired at the expense of Tenant.
9. Corridor doors, when not in use, shall be kept closed.

10. Tenant shall not: (1) make or permit any improper, objectionable or unpleasant noises or odors in the Building, or otherwise interfere in any way with other tenants or persons having business with them; (2) solicit business or distribute, or cause to be distributed, in any portion of the Building excluding the Premises any handbills, promotional materials or other advertising; or (3) conduct or permit any other activities in the Building that might constitute a nuisance.
11. No animals, except seeing eye dogs, shall be brought into or kept in, on or about the Premises.
12. No inflammable, explosive or dangerous fluid or substance shall be used or kept by Tenant in the Premises or Building. Tenant shall not, without Landlord's prior written consent, use, store, install, spill, remove, release or dispose of within or about the Premises or any other portion of the Property, any asbestos-containing materials or any solid, liquid or gaseous material now or hereafter considered toxic or hazardous under the provisions of 42 U.S.C. Section 9601 et seq. or any other applicable environmental law which may now or hereafter be in effect. If Landlord does give written consent to Tenant pursuant to the foregoing sentence, Tenant shall comply with all applicable laws, rules and regulations pertaining to and governing such use by Tenant, and shall remain liable for all costs of cleanup or removal in connection therewith.
13. Tenant shall not use or occupy the Premises in any manner or for any purpose which would injure the reputation or impair the present or future value of the Premises or the Building; without limiting the foregoing, Tenant shall not use or permit the Premises or any portion thereof to be used for lodging, sleeping or for any illegal purpose.
14. Tenant shall not take any action which would violate Landlord's labor contracts affecting the Building or which would cause any work stoppage, picketing, labor disruption or dispute, or any interference with the business of Landlord or any other

tenant or occupant of the Building or with the rights and privileges of any person lawfully in the Building. Tenant shall take any actions necessary to resolve any such work stoppage, picketing, labor disruption, dispute or interference and shall have pickets removed and, at the request of Landlord, immediately terminate at any time any construction work being performed in the Premises giving rise to such labor problems, until such time as Landlord shall have given its written consent for such work to resume. Tenant shall have no claim for damages of any nature against Landlord or any of the Landlord Related Parties in connection therewith, nor shall the date of the commencement of the Term be extended as a result thereof.

15. If Tenant requires pest extermination in addition to the pest extermination

included as part of Basic Costs, Tenant shall, at Tenant's cost utilize the termite and pest extermination service designated by Landlord to control termites and pests in the Premises.

16. Tenant shall not install, operate or maintain in the Premises or in any other area of the Building, any electrical equipment which does not bear the U/L (Underwriters Laboratories) seal of approval, or which would overload the electrical system or any part thereof beyond its capacity for proper, efficient and safe operation as determined by Landlord, taking into consideration the overall electrical system and the present and future requirements therefor in the Building. Tenant shall not furnish any cooling or heating to the Premises, including, without limitation, the use of any electronic or gas heating devices, without Landlord's prior written consent. Tenant shall not use more than its proportionate share of telephone lines available to service the Building.
17. Tenant shall not operate or permit to be operated on the Premises any coin or token operated vending machine or similar device (including, without limitation, telephones, lockers, toilets, scales, amusement devices and machines for sale of beverages, foods, candy, cigarettes or other goods), except for those vending machines or similar devices which are for the sole and exclusive use of Tenant's employees, and then only if such operation does not violate the lease of any other tenant of the Building.
18. Bicycles and other vehicles are not permitted inside or on the walkways outside the Building, except in those areas specifically designated by Landlord for such purposes.
19. Landlord may from time to time adopt appropriate systems and procedures for the security or safety of the Building, its occupants, entry and use, or its contents. Tenant, Tenant's agents, employees, contractors, guests and invitees shall comply with Landlord's reasonable requirements relative thereto.
20. Landlord shall have the right to prohibit the use of the name of the Building or any other publicity by Tenant that in Landlord's opinion may tend to impair the reputation of the Building or its desirability for Landlord or other tenants. Upon written notice from Landlord, Tenant will refrain from and/or discontinue such publicity immediately.
21. Tenant shall carry out Tenant's permitted repair, maintenance, alterations, and improvements in the Premises only during times agreed to in advance by Landlord and in a manner which will not interfere with the rights of other tenants in the Building.
22. Canvassing, soliciting, and peddling in or about the Building is prohibited. Tenant shall cooperate and use its best efforts to prevent the same.



23. At no time shall Tenant permit or shall Tenant's agents, employees, contractors, guests, or invitees smoke in any common area of the Building, unless such common area has been declared a designated smoking area by Landlord.
24. Tenant shall observe Landlord's rules with respect to maintaining standard window coverings at all windows in the Premises so that the Building presents a uniform exterior appearance. Tenant shall ensure that to the extent reasonably practicable, window coverings are closed on all windows in the Premises while they are exposed to the direct rays of the sun.
25. All deliveries to or from the Premises shall be made only at such times, in the areas and through the entrances and exits designated for such purposes by Landlord. Tenant shall not permit the process of receiving deliveries to or from the Premises outside of said areas or in a manner which may interfere with the use by any other tenant of its premises or of any common areas, any pedestrian use of such area, or any use which is inconsistent with good business practice.
26. The work of cleaning personnel shall not be hindered by Tenant before 7:00 a.m. or after 7:00 p.m. and such cleaning work may be done at any time when the offices are vacant. Windows, doors and fixtures may be cleaned at any time. Tenant shall provide adequate waste and rubbish receptacles necessary to prevent unreasonable hardship to Landlord regarding cleaning service. Any cost for cleaning requested by Tenant in excess of Landlord's as set forth on Exhibit E attached hereto, shall be the responsibility of Tenant.

#### EXHIBIT C

##### ADDITIONAL TERMS AND CONDITIONS

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This exhibit is attached to and made a part of the Lease dated \_\_\_\_\_, by and between Burlington Associates General Partnership, an Illinois General Partnership ("Landlord") by its agent Equity Office Properties Management Corp., a Delaware corporation, and THE REGENTS OF THE UNIVERSITY OF MICHIGAN, a Michigan Constitutional corporation ("Tenant") for space in the building located at 325 E. Eisenhower Parkway, Ann Arbor, MI 48108.

#### I. Right of First Offer.

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- A. Tenant shall have the right of first offer with respect to any space that becomes Available for Lease (hereinafter defined) on the remaining balance of the building (the "Offering Space"). Offering Space shall be deemed to be "Available for Lease" as follows: (i) with respect to any Offering Space that is under lease from time to time to third parties, such Offering Space shall be deemed to be Available for Lease when Landlord has determined that such third party will not

extend or renew the term of its lease for the Offering Space, or (ii) with respect to any vacant Offering Space, such Offering Space shall be deemed to be available when Landlord has located a prospective tenant that may be interested in leasing such Offering Space. Within a reasonable time after Landlord has determined that a particular portion of the Offering Space is Available for Lease (but prior to leasing such portion of the Offering Space to a third party), Landlord shall advise Tenant (the "Advice") of the square footage and location of such portion of the Offering Space. Tenant may lease such portion of the Offering Space in its entirety only, under the terms and conditions set forth herein, by delivering written notice of exercise to Landlord ("Notice of Exercise") within ten (10) days after the date of the Advice, except that Tenant shall have no such Right of First Offer and Landlord need not provide Tenant with an Advice, if:

1. Tenant is in default under the Lease at the time Landlord would otherwise deliver the Advice; or
2. the premises, or any portion thereof, is sublet at the time Landlord would otherwise deliver the Advice; or
3. the Lease has been assigned prior to the date Landlord would otherwise deliver the Advice; or
4. Tenant is not occupying the premises on the date Landlord would otherwise deliver the Advice; or
5. the Offering Space is not intended for the exclusive use of Tenant during the Lease Term; or
6. the existing tenant in the Offering Space is interested in extending or renewing its lease for the Offering Space or entering into a new lease for such Offering Space.

- B.
1. The term for the Offering Space shall commence upon the commencement date stated in the Advice and thereupon such Offering Space shall be considered a part of the Premises, provided that all of the terms stated in the Advice shall govern Tenant's leasing of the Offering Space only to the extent that they do not conflict with the Lease.
  2. Tenant shall pay Base Rental and Additional Base Rental for the Offering Space in accordance with the terms and conditions of the Advice, which terms and conditions shall reflect the Prevailing Market rate for the Offering Space as determined in Landlord's reasonable judgment.
  3. The Offering Space (including improvements and personalty, if any) shall be accepted by Tenant in its condition and as-built

configuration existing on the earlier of the date Tenant takes possession of the Offering Space or as of the date the term for such Offering Space commences, provided that such Offering Space shall be delivered to Tenant vacant, broom clean, except as mutually agreed to by Tenant and Landlord prior to the execution of the agreement leasing the Offering Space, and free of claims and possession of third parties.

- C. The rights of Tenant hereunder with respect to any portion of the Offering Space for which Landlord provides Tenant with an Advice shall terminate on the earlier to occur of: (i) Tenant's failure to exercise its Right of First Offer within the ten (10) day period provided in paragraph A above, and (ii) the date Landlord would have provided Tenant an Advice if Tenant had not been in violation of one or more of the conditions set forth in Paragraph A above. In addition, if Landlord provides Tenant with an Advice for any portion of the Offering Space that contains expansion rights (whether such rights are described as an expansion option, right of first refusal, right of first offer or otherwise) with respect to any other portion of the Offering Space (such other portion of the Offering Space subject to such expansion rights is referred to herein as the "Encumbered Offering Space") and Tenant does not exercise its Right of First Offer to lease the Offering Space described in the Advice, Tenant's Right of First Offer with respect to the Encumbered Offering Space shall be subject and subordinate to all such expansion rights contained in the Advice.
- D. 1. If Tenant exercises its Right of First Offer, Landlord shall prepare an amendment (the "Offering Amendment") adding the Offering Space to the Premises on the terms set forth in the Advice and reflecting the changes in the rent, rentable area of the premises, Tenant's pro rata share and other appropriate terms.
2. A copy of the Offering Amendment shall be (i) sent to Tenant within a reasonable time after receipt of the Notice of Exercise executed by Tenant, and (ii) revised by Landlord to address any requested changes by Tenant that are necessary to accurately reflect the terms and conditions hereof; (iii) executed by Tenant and returned to Landlord within thirty (30) days thereafter; but an otherwise valid exercise of the Right of First Offer shall be fully effective whether or not the Offering Amendment is executed.
- E. For purposes hereof, Prevailing Market rate shall mean the annual rental rate per square foot for space comparable to the Offering Space in the Building and office buildings comparable to the Building in Ann Arbor, Michigan, under leases and renewal and expansion amendments

being entered into at or about the time that Prevailing Market is being determined giving appropriate consideration to tenant concessions, brokerage commissions, tenant improvement allowances, and the method of allocating operating expenses and taxes. Notwithstanding the foregoing, space leased under any of the following circumstances shall not be considered to be comparable for purposes hereof: (i) the lease term is for less than the lease term of the Offering Space, (ii) the space is encumbered by the option rights of another tenant, or (iii) the space has a lack of windows and/or an awkward or unusual shape or configuration. The foregoing is not intended to be an exclusive list of space that will not be considered to be comparable.

## II. Permitted Use Restrictions.

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- A. Tenant shall use the Premises for the Permitted Use and for no other purpose. The Premises shall not be used as an emergency clinic or emergency medical facility, no patients shall be permitted to stay overnight in the Premises; and no patients shall be transported to the Premises on gurneys or transported to the building in emergency vehicles. Further, in no event shall Tenant use or occupy the Premises in a manner that would be inconsistent with the character and dignity of the building and Landlord may require Tenant to immediately cease any business, procedures, activities or other use which is causing (i) disturbance of, or interference with Landlord's operation and management of the building or the use and occupancy thereof by any tenant therein, or (ii) any public disputes, demonstrations or unflattering media attention involving the building or any business conducted therein.
- B. Without limiting the limitations imposed by the Permitted Use clause, Tenant shall not use or permit the Premises to be used for any purpose that would allow medical or medicinal odors or fumes to emanate from the Premises. In the event such odors or fumes do emanate from the Premises, Tenant, at its sole cost and expense, shall be responsible for taking whatever steps are necessary to either eliminate such odors or fumes or to keep such odors or fumes from emanating from the Premises, including, without limitation, the installation of direct ventilation to the outside of the building in a manner approved by Landlord.
- C. Tenant agrees to be solely responsible for the disposal of all medical, infectious and hazardous waste that is generated in the Tenant's Premises and to indemnify and hold Landlord harmless against and from all liabilities, obligations, damages, penalties, claims, costs, charges and expenses which may be imposed upon, incurred by, or asserted against Landlord in connection with the generation and existence of such medical, infectious and/or hazardous waste and the removal thereof from the Premises. Tenant agrees to comply with all

laws, ordinances, orders, rules and regulations of any governmental or regulatory agency with respect to the generation, existence, removal and disposal of any such medical, infectious and/or hazardous waste.

- D. Tenant agrees to contract with a licensed and insured medical waste disposal vendor acceptable to Landlord and to provide a copy of such contract to Landlord. If vendors are changed, Tenant agrees to notify Landlord of such change prior to the effective date thereof and to provide the appropriate documentation to Landlord. In no event shall any medical, infectious and/or hazardous waste be placed or stored outside of the Premises, it being agreed that all such materials shall be kept in the Premises until picked up by the approved medical waste disposal vendor. Any such medical, infectious and/or hazardous waste shall be removed from the building by use of the freight elevators and in no event shall the passenger elevators be used for such purpose.
- E. Tenant, at Tenant's sole cost and expense, shall obtain and maintain throughout the Term any licenses, permits or zoning approvals required by any governmental body for the conduct of Tenant's business and medical uses within the Premises.

### III. Environmental.

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- A. Tenant shall not use, generate, manufacture, store or dispose of, on or about the Premises, or transport to or from the Premises, any flammable explosives, radioactive materials, hazardous wastes, toxic substances, or any related materials or substances, including, without limitation, any substance defined as or included in the definition of "hazardous substances" under any applicable federal, state or local law, regulation or ordinance (collectively, "Hazardous Materials").
- B. Notwithstanding the foregoing, Tenant and Landlord shall have the right to use, generate and store on the Premises and the Building, and transport to and from the Premises and the Building, those Hazardous Materials which are generally used in the ordinary course in first class office buildings and in the performance of Tenant's business in the Premises; provided, however, that Tenant's use, generation, storage and transport thereof is in compliance with all applicable federal, state and local laws, regulations and ordinances.
- C. Promptly, upon either Landlord's or Tenant's obtaining actual knowledge thereof, such party shall immediately notify the other party in writing of (i) any and all enforcement, cleanup, removal or other governmental or regulatory actions instituted, completed or threatened with respect to Hazardous Materials pursuant to any applicable federal, state or local law, ordinance or regulation, and (ii) all claims made or threatened by any third party against Landlord, Tenant, or the Premises relating to any damage, loss or injury, whether to

person or property, resulting from the Hazardous Materials. The parties acknowledge that as a state agency, Tenant may have a legal obligation to report releases or threatened releases under state law.

D. Except as disclosed hereby, Landlord represents, to the best of its knowledge, that the Premises will be free of Hazardous Materials in amounts, and conditions which pose danger to human beings, and that Landlord, at Landlord's sole cost and expense following notice of any violation, will cause the Premises to be in full compliance with any and all current or future governmental conditions and requirements including, but not limited to, those relating to asbestos, PCB's and other Hazardous Materials.

IN WITNESS WHEREOF, Landlord and Tenant have executed this Exhibit in multiple original counterparts as of the day and year first above written.

WITNESS/ATTEST:

LANDLORD: BURLINGTON ASSOCIATES GENERAL PARTNERSHIP, an Illinois General Partnership

By: EQUITY OFFICE PROPERTIES MANAGEMENT CORP., a Delaware corporation, as agent

\_\_\_\_\_

Name (print): \_\_\_\_\_

\_\_\_\_\_

Name (print): \_\_\_\_\_

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

Name: Arvid Povilaitis

Title: Vice President

Date: \_\_\_\_\_

WITNESS/ATTEST:

TENANT: REGENTS OF THE UNIVERSITY OF MICHIGAN, a Michigan Constitutional corporation

\_\_\_\_\_

Name (print): \_\_\_\_\_

\_\_\_\_\_

Name (print): \_\_\_\_\_

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

Name: \_\_\_\_\_

Title: \_\_\_\_\_

Date: \_\_\_\_\_

EXHIBIT D

WORK LETTER

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This exhibit is attached to and made a part of the Lease dated \_\_\_\_\_, by and between Burlington Associates General Partnership, an Illinois General Partnership ("Landlord") by its agent Equity Office Properties Management Corp., a Delaware corporation and THE REGENTS OF THE UNIVERSITY OF MICHIGAN, a Michigan Constitutional corporation ("Tenant") for space in the building located at 325 E. Eisenhower Parkway, Ann Arbor, MI 48108.

1. This Work Letter shall set forth the obligations of Landlord and Tenant with respect to the preparation of the Premises for Tenant's occupancy. All improvements described in this Work Letter to be constructed in and upon the Premises by Landlord are hereinafter referred to as the "Landlord Work." It is agreed that construction of the Landlord Work will be completed at Tenant's sole cost and expense, subject to the Allowance (as defined below). Landlord shall enter into a direct contract for the Landlord Work with a general contractor selected by Landlord. In addition, Landlord shall have the right to select and/or approve of any subcontractors used in connection with the Landlord Work.
2. Space planning, architectural and engineering (mechanical, electrical and plumbing) drawings for the Landlord Work shall be prepared by Tenant's architect or Landlord's architect at Tenant's sole cost and expense, subject to the Allowance. The space planning, architectural and mechanical drawings are collectively referred to herein as the "Plans".
3. Tenant and Tenant's architect shall devote such time in consultation with Landlord and Landlord's architect and/or engineer as may be required to provide Landlord with Plans for the Landlord Work by not later than 5:00 p.m. on April 30, 1998 (the "Plans Due Date").
4. In the event Landlord's estimate and/or the actual cost of construction shall exceed the Allowance, Landlord, prior to commencing any construction of Landlord Work, shall submit to Tenant a written estimate setting forth the anticipated cost of the Landlord Work, including but not limited to labor and materials, contractor's fees and permit fees. Within five (5) business days thereafter, Tenant shall either notify Landlord in writing of its approval of the cost estimate, or specify its objections thereto and any desired changes to the proposed Landlord Work. In the event Tenant notifies Landlord of such objections and desired changes, Tenant shall work with Landlord to reach a mutually acceptable alternative cost estimate.
5. In the event Landlord's estimate and/or the actual cost of construction shall exceed the Allowance, if any (such amounts exceeding the Allowance being herein referred to as the "Excess Costs"), Tenant shall pay to Landlord ninety percent (90%) of such Excess Costs as approved under section 4 above as Additional Base Rental in three (3) installments prior to the Commencement Date upon presentation of three (3) individual detailed statements to Tenant by Landlord describing the portion of Excess Work

completed per the statements. The final ten percent (10%) of the Excess Cost shall be paid to Landlord by Tenant as Additional Base Rental after completion of Landlord's Work, including any punch list items and following the passing of the final inspection pursuant to the provisions of Section III.B of the Lease. The statements of costs submitted to Landlord by Landlord's contractors shall be conclusive for purposes of determining the actual cost of the items described therein. The amounts payable hereunder constitute Rent payable pursuant to the Lease, and the failure to timely pay same constitutes an event of default under the Lease.

6. If Tenant shall request any change, addition or alteration in any of the Plans after approval by Landlord, Tenant shall have such revisions to the drawings prepared, at Tenant's cost. Promptly upon completion of the revisions, Landlord shall notify Tenant in writing of the increased cost which will be chargeable to Tenant by reason of such change, addition or deletion. Tenant, within five (5) business days, shall notify Landlord in writing whether it desires to proceed with such change, addition or deletion. In the absence of such written authorization, Landlord shall have the option to continue work on the Premises disregarding the requested change, addition or alteration, or Landlord may elect to discontinue work on the Premises until it receives notice of Tenant's decision. In the event such revisions result in a higher estimate of the cost of construction and/or higher actual construction costs which exceed the Allowance, such increased estimate or costs shall be deemed Excess Costs pursuant to Paragraph 5 hereof and Tenant shall pay such Excess Costs upon demand.
7. Following approval of the Plans, which also signifies Tenant's agreement to pay the Excess Costs, if any, in accordance with the terms hereof, Landlord shall cause the Landlord Work to be constructed substantially in accordance with the approved Plans. Landlord shall notify Tenant of substantial completion of the Landlord Work.
8. Landlord, provided Tenant is not in default, agrees to provide Tenant with an allowance (the "Allowance") in an amount not to exceed One Hundred Fifty Three Thousand Eight Hundred Seventy Two and 00/100 Dollars (\$153,872.00) (i.e., \$8.00 per rentable square foot of the Premises) to be applied toward the cost of the Landlord Work in the Premises. In the event the Allowance shall not be sufficient to complete the Landlord Work, Tenant shall pay the Excess Costs as prescribed in paragraph 5 above. In the event the Allowance exceeds the cost of Landlord Work, any remaining Allowance shall accrue to the sole benefit of Landlord, it being agreed that Tenant shall not be entitled to any credit, offset, abatement or payment with respect thereto.
9. This Exhibit D shall not be deemed applicable to any additional space added to the original Premises at any time or from time to time, whether by any options under the Lease or otherwise, or to any portion of the original Premises or any additions to the Premises in the event of a renewal or extension of the original Term of this Lease, whether by any options under the Lease or otherwise, unless expressly so provided in the Lease or any



amendment or supplement to the Lease.

IN WITNESS WHEREOF, Landlord and Tenant have executed this Exhibit in multiple original counterparts as of the day and year first above written.

WITNESS/ATTEST:

LANDLORD: BURLINGTON ASSOCIATES GENERAL PARTNERSHIP, an Illinois General

Partnership

By: EQUITY OFFICE PROPERTIES MANAGEMENT CORP., a Delaware corporation, as agent

\_\_\_\_\_  
Name (print): \_\_\_\_\_

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

Name: Arvid Povilaitis

\_\_\_\_\_  
Name (print): \_\_\_\_\_

Title: Vice President

Date: \_\_\_\_\_

WITNESS/ATTEST:

TENANT: REGENTS OF THE UNIVERSITY OF MICHIGAN, a Michigan Constitutional corporation

\_\_\_\_\_  
Name (print): \_\_\_\_\_

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

Name: \_\_\_\_\_

\_\_\_\_\_  
Name (print): \_\_\_\_\_

Title: \_\_\_\_\_

Date: \_\_\_\_\_

EXHIBIT E

CLEANING SPECIFICATIONS

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This Exhibit is attached to and made a part of the Lease dated \_\_\_\_\_, by and between Burlington Associates General Partnership, an Illinois general partnership ("Landlord") by its agent Equity Office Properties Management Corp., a Delaware corporation and THE REGENTS OF THE UNIVERSITY OF MICHIGAN, a Michigan Constitutional corporation ("Tenant") for space in the building located at 325 East Eisenhower Parkway, Ann Arbor, MI 48108.

## DAILY SERVICES:

Five times per week

1. Empty waste baskets.
2. Empty and clean ash trays.
3. Dust desk tops which are clear of working papers.
4. Sweep or vacuum floor area.
5. Toilet rooms:
  - a. Empty and disinfect all waste receptacles.
  - b. Clean and disinfect all fixtures and clean mirrors and shelves
  - c. Refill paper and soap dispensers.

## WEEKLY SERVICES:

1. Damp mop floors, stairways, lobbies and corridors.
2. Dust tops of file cabinets, ledges, baseboards and heat conductors.
3. Wash and disinfect all ceramic tile, toilet partitioning, and fixtures.
4. Remove smudges and scuff marks from all painted surfaces and glass office partitions wherever possible.
5. Sweep and wet mop floors as needed.
6. Wash entrance door glass.

## SERVICES AS NEEDED:

1. Wax and polish floor in reception area.
2. Wash all glass in office partitions.
3. Clean windows.

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