

SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

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

For the quarterly period ended September 29, 1996

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 0-12390

QUANTUM CORPORATION

Incorporated Pursuant to the Laws of the State of Delaware

IRS Employer Identification Number 94-2665054

500 McCarthy Blvd., Milpitas, California 95035

(408) 894-4000

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 the number of shares outstanding of each of the issuer's classes of common stock, as of October 31, 1996: 57,883,603

QUANTUM CORPORATION

10-Q REPORT

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QUANTUM CORPORATION

PART I - FINANCIAL INFORMATION

Item 1. Financial Statements

CONSOLIDATED STATEMENTS OF INCOME
(In thousands except per share data)
(unaudited)

	Three Months Ended		Six Months Ended	
	Sept. 29, 1996	Oct. 1, 1995	Sept. 29, 1996	Oct. 1, 1995
	-----	-----	-----	-----
Sales	\$1,124,144	\$1,033,048	\$2,277,646	\$1,974,363
Cost of sales	988,666	890,622	2,000,889	1,707,448
	-----	-----	-----	-----
Gross profit	135,478	142,426	276,757	266,915
Operating expenses:				
Research and development	69,549	55,147	136,214	110,258
Sales and marketing	29,812	34,802	66,007	68,505
General and administrative	16,988	15,453	38,475	27,635
	-----	-----	-----	-----
	116,349	105,402	240,696	206,398
Income from operations	19,129	37,024	36,061	60,517
Other (income) expense:				
Interest expense	12,973	7,467	24,006	15,748
Interest and other income	(24)	(1,464)	682	(4,480)
	-----	-----	-----	-----
	12,949	6,003	24,688	11,268
Income before income taxes	6,180	31,021	11,373	49,249
Income tax provision	1,607	8,996	2,957	14,282
	-----	-----	-----	-----
Net income	\$ 4,573	\$ 22,025	\$ 8,416	\$ 34,967
	=====	=====	=====	=====
Net income per share:				
Primary	\$ 0.08	\$ 0.39	\$ 0.14	\$ 0.65
Fully diluted	\$ 0.08	\$ 0.37	\$ 0.14	\$ 0.61
Weighted average common and common equivalent shares:				
Primary	58,632	56,240	58,239	54,016
Fully diluted	58,632	63,567	58,239	62,943

See accompanying notes to consolidated financial statements

QUANTUM CORPORATION

CONSOLIDATED BALANCE SHEETS
(In thousands)
(unaudited)

	September 29, 1996	March 31, 1996
	-----	-----
Assets		
Current assets:		
Cash and cash equivalents	\$ 148,594	\$ 164,752
Accounts receivable, net of allowance for doubtful accounts of \$11,188 and \$10,497	751,657	711,107
Inventories	358,859	459,538
Deferred taxes	109,616	109,625
Other current assets	108,527	81,472
	-----	-----
Total current assets	1,477,253	1,526,494

Property and equipment, net of accumulated depreciation of \$189,813 and \$161,334	399,779	364,111
Purchased intangibles, net	46,975	66,313
Other assets	30,711	18,437
	-----	-----
	\$1,954,718	\$1,975,355
	=====	=====
Liabilities and Shareholders' Equity		
Current liabilities:		
Accounts payable	\$ 362,971	\$ 498,829
Accrued warranty expense	44,725	62,289
Accrued compensation	38,600	45,439
Income taxes payable	44,158	40,994
Accrued restructuring and exit costs	12,299	115,537
Current portion of long-term debt	44,016	4,125
Other accrued liabilities	57,172	53,929
	-----	-----
Total current liabilities	603,941	821,142
Deferred taxes	11,232	11,232
Convertible subordinated debt	338,700	374,283
Long-term debt	388,365	223,875
Shareholders' equity:		
Common stock	326,187	266,946
Retained earnings	286,293	277,877
	-----	-----
Total shareholders' equity	612,480	544,823
	-----	-----
	\$1,954,718	\$1,975,355
	=====	=====

See accompanying notes to consolidated financial statements.

QUANTUM CORPORATION

CONSOLIDATED STATEMENTS OF CASH FLOWS

(In thousands)
(unaudited)

	Six Months Ended	
	September 29, 1996	October 1, 1995
	-----	-----
Cash flows from operating activities:		
Net income	\$ 8,416	\$ 34,967
Items not requiring the current use of cash:		
Depreciation and amortization	59,898	46,976
Compensation related to stock plans	851	--
Changes in assets and liabilities:		
Accounts receivable	(40,550)	(137,126)
Inventories	100,679	(184,157)
Accounts payable	(135,858)	174,543
Income taxes payable	(2,989)	(10,479)
Accrued warranty expense	(17,564)	(531)
Other assets and liabilities	(110,788)	(51,283)
	-----	-----
Net cash provided by (used in) operating activities	(137,905)	(127,090)
	-----	-----
Cash flows from investing activities:		
Investment in property and equipment	(114,126)	(98,018)
Proceeds from disposition of property and equipment	11,134	--
	-----	-----
Net cash provided by (used in) investing activities	(102,992)	(98,018)
	-----	-----
Cash flows from financing activities:		
Proceeds from long term credit facilities	300,091	225,000
Proceeds of mortgage loan	42,105	--
Principal payments on long-term credit facilities	(137,815)	(50,000)
Proceeds from issuance of common stock, net	20,358	21,160
	-----	-----
Net cash provided by financing activities	224,739	196,160
	-----	-----

Net increase (decrease) in cash and cash equivalents	(16,158)	(28,948)
Cash and cash equivalents at beginning of period	164,752	187,753
	-----	-----
Cash and cash equivalents at end of period	\$ 148,594	\$ 158,805
	=====	=====
Supplemental disclosure of cash flow information:		
Note received on disposition of property and equipment	\$ 18,000	--
Cash paid during the period for:		
Interest	\$ 24,899	\$ 13,249
Taxes	\$ 6,003	\$ 24,874

See accompanying notes to consolidated financial statements.

QUANTUM CORPORATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(unaudited)

1. Basis of presentation

The accompanying unaudited consolidated financial statements reflect all adjustments, consisting only of normal recurring adjustments which, in the opinion of management, are necessary for a fair presentation of the results for the periods shown. The results of operations for such periods are not necessarily indicative of the results expected for the full fiscal year. Certain prior period amounts have been reclassified to conform to the current periods' presentation. The accompanying financial statements should be read in conjunction with the audited financial statements of Quantum Corporation for the fiscal year ended March 31, 1996.

2. Inventories

Inventories consisted of the following:
(In thousands)

	September 29, 1996	March 31, 1996
	-----	-----
Materials and purchased parts	\$ 33,141	\$119,984
Work in process	37,565	98,591
Finished goods	288,153	240,963
	-----	-----
	\$358,859	\$459,538
	=====	=====

3. Net income per share

Net income per share is computed using the weighted average number of common and dilutive common equivalent shares outstanding. Net income per share computed on a fully diluted basis assumes conversion of the Company's outstanding convertible subordinated debt. For the three and six month periods ended September 29, 1996, net income per share, on a fully diluted basis, did not assume conversion of the outstanding convertible debt because the effect would have been anti-dilutive.

4. Debt

The Company has a senior credit facility which includes a \$325 million revolving credit line with an outstanding balance as of September 29, 1996, of \$300 million. During the quarter ended September 29, 1996, the Company obtained a \$75 million term loan under this credit facility with payments due in eight quarterly installments beginning in December 1996. In addition, certain of the related financial covenants were amended, effective for the quarter ended June 30, 1996.

The Company also extended until September 1997 an \$85 million unsecured Letter of Credit facility with certain banks to issue standby letters of credit to Matsushita-Kotobuki Electronics and its affiliates.

In September 1996, the Company completed \$42 million in mortgage financing for certain domestic facilities at an interest rate of approximately 10.1%. The term of the mortgage is ten years, with amortization over 20 years and a balloon payment at the end of the 10 year term. The debt is secured by the specified real estate.

5. Litigation

The Company and certain of its current and former officers and directors have

been named as defendants in two class action lawsuits, one filed on August 28, 1996, in the Superior Court of Santa Clara County, California, and one filed on August 30, 1996, in the U.S. District Court for the Northern District of California. The plaintiff purports to represent a class of all persons who purchased the Company's common stock between February 26, 1996, and June 13, 1996. The complaints allege that the defendants violated various federal securities laws and California statutes by concealing and/or misrepresenting material adverse information about the company and that individual defendants sold shares of the Company's stock based upon material nonpublic information. On October 23, 1996, the Company filed a Demurrer requesting dismissal of the state action. The Company believes that both actions are without merit and intends to defend against them vigorously. Nevertheless, litigation is subject to inherent uncertainties and thus there can be no assurance that these suits will be resolved favorably to the Company or will not have a material adverse effect on the Company's financial condition and results of operations.

Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations

Results of Operations

The following discussion contains forward-looking statements within the meaning of Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Securities Exchange Act of 1934, as amended. These forward-looking statements include the expected benefits of transitioning the manufacturing of the Company's high-capacity hard disk drive products to Matsushita-Kotobuki Electronics Industries, Ltd. ("MKE"), of Japan, as well as management's expectations regarding financial results for fiscal 1997. Actual results could differ materially from those projected in the forward-looking statements as a result of the factors set forth below in "Trends and Uncertainties" and elsewhere in this report.

SALES. Sales for the three and six months ended September 29, 1996, were \$1,124 million and \$2,278 million, respectively, compared to \$1,033 million and \$1,974 million for the corresponding periods in fiscal 1996. Unit shipments for the second quarter of fiscal 1997 increased 9% compared to the corresponding period in fiscal 1996, with sales for the second quarter of fiscal 1997 increasing 9% over the second quarter of fiscal 1996. For the six months ended September 29, 1996, unit shipments increased 13% and sales increased 15% over the comparable period in fiscal 1996. The increase in sales on a year-to-year basis was attributable to increased unit sales and a change in sales mix to larger-capacity products in the desktop market, partially offset by a decline in average unit prices on existing products. During the first six months of fiscal 1997, the Company experienced weakened demand for its mix of drive products for the personal computer market and this resulted in pressure on pricing. In addition, sales of high-capacity disk drive products continued to decline in the second quarter as products manufactured by Quantum were being phased out and shipments of high-capacity products manufactured by MKE had not yet begun. Sales of a limited number of desktop and portable storage products represented a significant majority of sales for the six months ended September 29, 1996. The Company anticipates that this trend will continue in the future.

Sales to the top five customers for the three and six months ended September 29, 1996, represented 39% and 40% of sales, respectively, with one customer having sales greater than 10% of sales for each period. For the corresponding periods in fiscal 1996, sales to the top five customers represented 49% and 48% of sales, with three customers having sales greater than 10% of sales for each period. Any significant decrease in sales to a major customer or the loss of a major customer could have a material adverse effect on the Company's results of operations.

GROSS MARGIN. The gross margin for the quarter ended September 29, 1996, decreased to 12.1% from 13.8% for the second quarter of fiscal 1996. The Company's gross margin for the first six months of fiscal 1997 was 12.2%, compared to 13.5% for the corresponding period in fiscal 1996. Gross margin decreased from the previous fiscal year as a result of a less favorable product mix in the desktop market and pricing pressures in that market. In the future, gross margin may be affected by pricing and other competitive conditions, as well as the Company's ability to phase out the older, lower gross margin product lines and transition to higher margin products incorporating advances in technology. See "Trends and Uncertainties," below, for a discussion of certain other factors that may affect the Company's gross margin.

RESEARCH AND DEVELOPMENT EXPENSES. Research and development expenses for the second quarter of fiscal 1997 were \$70 million, or 6.2% of sales, compared to \$55 million, or 5.3% of sales in the corresponding period in fiscal 1996. For the first six months of fiscal 1997, research and development expenses were \$136 million, or 6.0% of sales, compared to \$110 million, or 5.6% of sales, in the corresponding period in fiscal 1996. This increase in research and development spending was due primarily to higher expenses related to preproduction activity for a number of new products for both the desktop and the high-capacity markets. The mass storage industry, particularly the hard disk drive business, is subject to rapid technological advances, and the future success of the Company is dependent upon continued development and timely introduction of new products and

technologies. As a result, the Company expects to continue to make significant expenditures for research and development. See "Trends and Uncertainties," below.

SALES AND MARKETING EXPENSES. Sales and marketing expenses in the second quarter of fiscal 1997 were \$30 million, or 2.7% of sales, compared to \$35 million, or 3.4% of sales in the corresponding period in fiscal 1996. Sales and marketing expenses for the first six months of fiscal 1997 were \$66 million, or 2.9% of sales, compared to \$69 million, or 3.5% of sales, in the corresponding period in fiscal 1996. The decrease was principally due to the Company's efforts to reduce advertising and promotional expenses for the second quarter of fiscal 1997.

GENERAL AND ADMINISTRATIVE EXPENSES. General and administrative expenses in the second quarter of fiscal 1997 were \$17 million, or 1.5% of sales, compared to \$15 million, or 1.5% of sales in the corresponding period in fiscal 1996. General and administrative expenses for the first six months of fiscal 1997 were \$38 million, or 1.7% of sales, compared to \$28 million, or 1.4% of sales, in the corresponding period in fiscal 1996. The increase in absolute dollars for the quarter was primarily related to the expansion of the Company's infrastructure. The increase for the six month period was also due to a larger bad debt expense in the first quarter of fiscal 1997.

OTHER (INCOME) EXPENSE. Net interest and other income/expense was \$12.9 million net expense for the quarter ended September 29, 1996, and \$6.0 million for the corresponding period in fiscal 1996. Net interest and other income/expense for the six months ended September 29, 1996, was \$24.7 million, compared to \$11.3 million in the corresponding period in fiscal 1996. The increase in net interest expense was the result of an increase in the level of debt.

INCOME TAXES. The effective tax rate for the quarter and six months ended September 29, 1996, was 26% compared to the effective rate of 29% for the corresponding periods in fiscal 1996. The lower effective tax rate was primarily attributable to an increased percentage of tax benefit related to foreign earnings taxed at less than the U.S. rate and the realization of deferred tax assets previously reserved.

Liquidity and Capital Resources

At September 29, 1996, the Company had \$149 million in cash and cash equivalents and short-term investments, compared to \$165 million at March 31, 1996. Cash used in operating and investing activities was primarily a result of increases in accounts receivable and decreases in accounts payable and other current liabilities as well as investing in property and equipment. This was partially offset by a decrease in inventories. Cash provided by financing activities was primarily a result of borrowing under the long-term credit facility and the mortgage as described below.

The Company has a senior credit facility which includes a \$325 million revolving credit line with an outstanding balance as of September 29, 1996, of \$300 million. During the quarter ended September 29, 1996, the Company obtained a \$75 million term loan under this credit facility with payments due in eight quarterly installments beginning in December 1996. In addition, certain of the related financial covenants were amended, effective for the quarter ended June 30, 1996.

The Company also extended until September 1997 an \$85 million unsecured Letter of Credit facility with certain banks to issue standby letters of credit to Matsushita-Kotobuki Electronics and its affiliates.

In September 1996, the Company completed \$42 million in mortgage financing for certain domestic facilities at an interest rate of approximately 10.1%. The term of the mortgage is ten years, with amortization over 20 years and a balloon payment at the end of the 10 year term. The debt is secured by the specified real estate.

The Company expects to spend approximately \$90 million for leasehold improvements, capital equipment and expansion of the Company's facilities for the remainder of fiscal 1997. Over the next twelve months, the Company anticipates that capital spending will continue at a similar level. These capital expenditures will support the recording heads and tapes businesses as well as general corporate operations.

In the fourth quarter of fiscal 1996, the Company recorded a charge associated with the transition of manufacturing for its high-capacity hard disk drive products to MKE. During the quarter ended September 29, 1996, there were approximately \$40 million in cash expenditures related to this charge. The Company expects that cash expenditures related to the charge will be approximately \$5 million during the rest of fiscal 1997. Also during the quarter, the Company completed the sale of the manufacturing facility in Penang, Malaysia, and received \$10 million in cash and a secured note in exchange.

In conjunction with the purchase of certain businesses from Digital Equipment Corporation in October 1994, the Company recorded an accrual for costs related to exiting a portion of the facilities and operations acquired. During the quarter ended September 29, 1996, there were no significant cash expenditures

related to these exit costs. The Company anticipates that cash outlays for these exit activities will be approximately \$7 million over the remaining life of a certain facility's lease.

The Company believes that its existing capital resources, including its credit facilities and any cash generated from operations will be sufficient to meet all currently planned expenditures and sustain operations for the remainder of the fiscal year. However, this forward-looking statement assumes that operating results and cash flow from operations will meet the Company's expectations, and actual results could vary due to the factors described below in "Trends and Uncertainties" under "Fluctuation in Results of Operations." The Company continues to work to identify additional sources of cash and there can be no assurance that if required, the Company will be able to obtain such financing or obtain it on acceptable terms.

Trends and Uncertainties

FLUCTUATION IN RESULTS OF OPERATIONS. The Company's results of operations are subject to fluctuations from period to period. In this regard, the demand for the Company's hard disk drive products depends on the demand for the computer systems manufactured by its customers, which is affected by computer system product cycles and by prevailing economic conditions. Growth in demand for computer systems, especially in the personal computer ("PC") market segment, where the Company derives a significant amount of its disk drive sales, has historically been subject to significant fluctuations. Such fluctuations in end user demand have in the past, and may in the future, result in the deferral or cancellation of orders for the Company's products, each of which would have a material adverse effect on the Company. During the past several years, there has been significant growth in the demand for PCs, a portion of which represented sales of PCs for use in the home. However, many analysts predict that future growth may be at a slower rate than the rate experienced in recent years.

In the first and second quarters of fiscal 1997, the Company experienced weak demand for its mix of drive products for the PC market and this resulted in pricing pressure and had an adverse impact on revenue and earnings for the six months. The Company lost some desktop business to competitors with strong 1.6 gigabyte desktop programs at different price points. In response to the declining demand, the Company reduced its drive build plan at MKE through the second quarter of fiscal 1997. There can be no assurance that this decline in demand is temporary, and the Company could experience additional decreases in demand for its products in the near future. Any such additional slowdowns in demand could have a material adverse effect on the Company.

The hard disk drive industry has also been subject, from time to time, to seasonal fluctuations in demand. The Company has typically experienced relatively flat demand in the September fiscal quarter as compared to the June quarter and increasing demand throughout the quarters ending in December and March. Because shipments have tended to be highest in the third month of each quarter, the Company is taking steps to improve the linearity of shipments throughout the quarter. If the linearity of shipments does not improve, any failure by the Company to complete shipments in the final month of the quarter could adversely affect the Company's operating results for the quarter.

TRANSITION OF HIGH-CAPACITY MANUFACTURING OPERATIONS TO MKE. Since the Company's acquisition of Digital's high-capacity disk drive operations in late 1994, the Company has experienced significant difficulties in integrating these operations into its high-capacity business. These difficulties have included problems involving both the development and manufacturing of its high-capacity products and have resulted in, among other things, significant delays in meeting the qualification standards imposed by certain major customers of the Company's high-capacity disk drive products. As part of its strategy to address these problems, the Company decided to transition its high-capacity disk drive product manufacturing to MKE. As a result, in the fourth quarter of fiscal 1996 the Company incurred a charge associated with the closure of the Company's two high-capacity disk drive manufacturing facilities in Milpitas, California and Penang, Malaysia. These two facilities were closed during the quarter ended September 29, 1996.

The Company's transition of its high-capacity manufacturing operations to MKE entails several risks, and there can be no assurance that the Company's efforts in this regard will be successful. Although the Company has had a continuous manufacturing relationship with MKE since 1984, the Company's high-capacity products are more complex to manufacture than its desktop products. MKE has not previously manufactured any significant amount of the Company's high-capacity products and there can be no assurance that the Company's previous difficulties with its high-capacity products will be resolved or that new problems will not arise as a result of the transition of this manufacturing to MKE. Any failure of the Company to successfully manage this transition would have a material adverse effect on the Company.

DEPENDENCE ON MKE RELATIONSHIP. The Company is dependent upon MKE for the manufacture of its disk drive products. During fiscal 1996 and the first two quarters of fiscal 1997, approximately 75% and 77%, respectively, of the Company's sales were derived from products manufactured by MKE. The transition of the manufacturing of the Company's high-capacity product manufacturing to MKE

will result in an increased dependence on MKE. The Company's relationship with MKE is therefore critical to the Company's business and financial performance.

The Company's dependence on MKE entails, among others, the following principal risks:

QUALITY AND DELIVERY. The Company relies on MKE's ability to bring new products rapidly to volume production at low cost, to meet the Company's stringent quality requirements and to respond quickly to changing product delivery schedules from the Company. This requires, among other things, close and continuous collaboration between the Company and MKE in all phases of design, engineering, and production. The Company's business and financial results would be adversely affected if products manufactured by MKE fail to satisfy the Company's quality requirements or if MKE is unable to meet the Company's delivery commitments. In the event MKE is unable to satisfy Quantum's production requirements, the Company would not have an alternative manufacturing source to meet the demand without substantial delay and disruption of the Company's operations. As a result, the Company would be materially adversely affected.

EXTENSION OF RELATIONSHIP. The Company's relationship with MKE, which has been continuous since 1984, is currently governed by a master agreement, that, unless extended, will expire in December 1997. The failure of the parties to extend their relationship on terms favorable to the Company would have a material adverse effect on the Company.

VOLUME AND PRICING. MKE's production schedule is based on the Company's forecasts of its product purchase requirements and the Company has only limited rights to modify short-term purchase orders issued to MKE. Further, the demand in the desktop business is inherently volatile and there is no assurance that the Company's forecasts are accurate. In addition, the Company periodically renegotiates pricing arrangements with MKE. The failure of the Company to accurately forecast its requirements, which could lead to inventory shortages or surpluses, or the failure to reach pricing agreements reasonable to the Company would have a material adverse effect on the Company.

MANUFACTURING CAPACITY AND CAPITAL COMMITMENT. The Company believes that MKE's current and committed manufacturing capacity should be adequate to meet the Company's requirements at least through the end of fiscal 1997. The Company's future growth will require, however, that MKE continue to devote substantial financial resources to property, plant and equipment and working capital to support manufacture of the Company's products, as to which there can be no assurance. In the event that MKE is unable or unwilling to meet the Company's manufacturing requirements, there can be no assurance that the Company would be able to obtain an alternate source of supply. Any such failure to obtain an alternative source would have a material adverse effect on the Company.

DEPENDENCE ON SUPPLIERS OF COMPONENTS AND SUB-ASSEMBLIES; COMPONENT SHORTAGES. The Company and its manufacturing partner, MKE, are dependent upon suppliers for components and sub-assemblies, including recording heads, media and integrated circuits, which are essential to the manufacture of the Company's products. In connection with certain products, the Company and MKE qualify only a single source for certain components and sub-assemblies, which can magnify the risk of shortages. Component shortages have constrained the Company's sales growth in the past, and the Company believes that the industry will periodically experience component shortages. If such shortages occur, or if the Company experiences quality problems with component suppliers, shipments of products could be significantly delayed or costs significantly increased, which would have a material adverse effect on the Company's results of operations.

NEW PRODUCT DEVELOPMENT. Quantum operates in an industry characterized by increasingly rapid technological changes and short product life cycles. For these and other reasons, including competitive pressures, gross margins on specific products can decrease rapidly. Any delay in introduction of more advanced and more cost-effective products can result in significantly lower sales and gross margins. The Company's future is therefore dependent on its ability to anticipate what the customers will demand and to develop the new products to meet this demand. The Company must also qualify these new products with its customers, successfully introduce these products to the market on a timely basis and commence volume production to meet customer demands. In this regard, the Company expects that sales of new products, particularly a limited number of products in the desktop market, will account for a significant portion of fiscal 1997 sales and that sales of older products will decline. However, there can be no assurance that such products will achieve or sustain market acceptance and failure to achieve acceptance could have a material adverse effect on the Company.

Sales of the Company's current high-capacity products have declined during fiscal 1997, as the Company transitions customers to new high-capacity products to be manufactured by MKE. The new Atlas II product went into mass production at MKE in September 1996, but it has not yet qualified with a number of customers and there is risk in the qualification process. Atlas II is not expected to

provide a significant contribution to sales until the third fiscal quarter at the earliest. A second high-capacity product under development is still in the evaluation stage and is not expected to achieve volume production and contribute significantly to sales until the fourth quarter of fiscal 1997. The Company's product development efforts entail a number of risks, and there can be no assurance that the Company will be successful in these efforts. The Company's inability to successfully manage this product transition could have a material adverse effect on the Company.

The Company is also currently engaged in a substantial effort to advance the development of its MR recording heads. The Company believes that MR head technology, which enables higher capacity per disk than conventional thin film inductive heads, will replace inductive heads as the leading recording head technology. Although MR recording heads comprised a relatively small portion of the recording head market demand for the entire industry in 1995, the Company expects demand to increase significantly by 1998. The Company believes that by establishing its own supply of MR heads it can lower the risk of supply shortages of MR heads that may occur in the future and can create cost advantages for its overall business. However, MR technology is relatively complex, and as is typical of new head technology, manufacturing yields begin at relatively low levels and then possibly increase throughout the product life of the recording head. While the Company has increased production yields in its MR recording heads manufacturing in the past, several of the Company's important new disk drive products which are commencing volume production during fiscal 1997 are dependent on new MR recording heads currently under development. Increases in the current levels of production yields for these new MR recording heads will be required for the Company to meet its manufacturing objectives for these new disk drive products. In the event that yields do not improve, there are limited alternative sources of supply for MR recording heads, and there can be no assurance that the Company will be able to locate and obtain adequate supply from such alternative sources. In such event, the Company would be materially adversely affected.

There can be no assurance that the Company will be successful in the development and marketing of these and other new products and components that respond to technological change or evolving industry standards, that the Company will not experience difficulties that could delay or prevent the successful development, introduction and marketing of these products and components, or that the Company's new products and components will adequately meet the requirements of the marketplace and achieve market acceptance. In addition, technological advances in magnetic, optical or other technologies, or the development of new technologies, could result in the introduction of competitive products with superior performance to and substantially lower prices than the Company's products. Further, the Company's new products and components are subject to significant technical risks. If the Company experiences delays in the commencement of commercial shipments of new products or components, the Company could experience delays or loss of product sales. If the Company is unable, for technological or other reasons, to develop and introduce new products in a timely manner in response to changing market conditions or customer requirements, the Company would be materially adversely affected.

CUSTOMER CONCENTRATION. As is typical in the information storage industry, the Company's customer base is concentrated with a small number of computer systems manufacturers. The Company's sales to its customers are generally governed by written agreements. In general, these agreements do not obligate a customer to purchase any minimum volume of the Company's products, and these agreements are generally terminable at will by the customer.

Sales of the Company's desktop products, which comprise a significant majority of its overall sales, were concentrated with several key customers during the six months ended September 29, 1996, and the fiscal year ended March 31, 1996. Sales to the top five customers of the Company represented 40% of total sales for the first six months of fiscal 1997 and 44% of sales for the 1996 fiscal year. For the first six months of fiscal 1997, sales to Compaq were approximately 11% of total sales. Apple has been significantly restructuring its business and Apple's share of the Company's sales, which was 11% in fiscal 1996, has declined to less than 10% in the first six months of fiscal 1997. As a result, it is becoming increasingly difficult for the Company to accurately forecast the demand for its products by Apple. In addition, the Company is unable to predict whether or not there will be any significant change in demand for Apple's or any of its other customers' products in the future. In the event that any such changes result in decreased demand for the Company's products, whether by loss or delays in orders, the Company could be materially adversely affected.

INTENSELY COMPETITIVE INDUSTRY. The information storage products industry in general, and the disk drive industry in particular, is characterized by intense competition which results in rapid price erosion, short product life cycles, and continuous introduction of new, more cost-effective products offering increased levels of capacity and performance. In this regard, the Company intends to introduce important new products during the latter half of fiscal 1997, and there can be no assurance that it will be successful. If this does not occur, the Company would be materially and adversely affected. The hard disk drive industry also tends to experience periods of excess product inventory and intense price competition. If price competition intensifies, the Company may be

forced to lower prices further than expected, which could adversely affect its sales and gross margin.

Quantum faces direct competition from a number of companies, including Seagate, Western Digital, IBM, Maxtor and Exabyte. In the event that the Company is unable to compete effectively with these or any other companies, the Company would be materially adversely affected.

DESKTOP STORAGE PRODUCTS. In the market for desktop products, Quantum competes primarily with Seagate, Western Digital, and Maxtor. Quantum and its competitors have developed and are developing a number of products targeted at particular segments of this market, such as home PC buyers, and factors such as time to market can have a significant effect on the success of any particular product. The desktop market is characterized by more competitors and shorter product life cycles than the hard disk drive market in general.

WORKSTATION AND SYSTEM STORAGE PRODUCTS. The Company faces competition in the high-capacity disk drive market primarily from Seagate and IBM. Seagate has the largest share of the market for high-capacity disk drives. Although the same competitive factors generally applicable to the overall disk drive industry apply to high-capacity disk drives, the Company believes that the performance and quality of its products are more important to the users in this market than to users in the desktop market. The Company's success in the high-capacity market during the foreseeable future is dependent on the successful development, timely introduction and market acceptance of key new products, as to which there can be no assurance.

SPECIALTY STORAGE PRODUCTS. In the market for tape drives, the Company competes with a large number of companies, including Exabyte. During fiscal 1996 and the first six months of fiscal 1997, the Company experienced increasing market acceptance of its tape drive products. However, a number of competitors have announced or already introduced tape drive product offerings, and the market could become significantly more competitive during the remainder of fiscal 1997. As a result, the Company could experience increased price competition. If price competition occurs, the Company may be forced to lower prices, in which case the Company could be materially adversely affected.

Finally, the Company's customers could commence the manufacture of disk and tape drives for their own use or for sale to others. Any such loss of customers could have a material adverse effect on the Company.

RISKS ASSOCIATED WITH FOREIGN MANUFACTURING. Many of the Company's products are currently manufactured outside the United States. As a result, the Company is subject to certain risks associated with contracting with foreign manufacturers, including obtaining requisite United States and foreign governmental permits and approvals, currency exchange fluctuations, currency restrictions, political instability, labor problems, trade restrictions and changes in tariff and freight rates.

INTELLECTUAL PROPERTY MATTERS. The hard disk drive industry has been characterized by significant litigation relating to patent and other intellectual property rights. From time to time, the Company is approached by companies and individuals alleging Quantum's need for a license under patented technology that Quantum assertedly uses. If required, there can be no assurance that licenses to any such technology could be obtained or obtained on commercially reasonable terms. Adverse resolution of any intellectual property litigation could subject the Company to substantial liabilities and require it to refrain from manufacturing certain products. In addition, the costs of engaging in such litigation may be substantial, regardless of the outcome.

LITIGATION. The Company and certain of its current and former officers and directors have been named as defendants in two class action lawsuits, one filed on August 28, 1996, in the Superior Court of Santa Clara County, California, and one filed on August 30, 1996, in the U.S. District Court for the Northern District of California. The plaintiff purports to represent a class of all persons who purchased the Company's common stock between February 26, 1996, and June 13, 1996. The complaints allege that the defendants violated various federal securities laws and California statutes by concealing and/or misrepresenting material adverse information about the company and that individual defendants sold shares of the Company's stock based upon material nonpublic information. On October 23, 1996, the Company filed a Demurrer requesting dismissal of the state action. The Company believes that both actions are without merit and intends to defend against them vigorously. Nevertheless, litigation is subject to inherent uncertainties and thus there can be no assurance that these suits will be resolved favorably to the Company or will not have a material adverse effect on the Company's financial condition and results of operations.

FUTURE CAPITAL NEEDS. The information storage business is capital-intensive and competitive. Although the Company is in the process of transitioning the manufacturing of all of its hard disk drive products to MKE, the Company believes that in order to remain competitive in the information storage

business, it will need significant additional financial resources over the next several years for capital expenditures, working capital and research and development. The Company believes that it will be able to fund these capital requirements at least through fiscal 1997. However, if the Company decides to increase its capital expenditures further or sooner than presently contemplated, or if results of operations do not meet the Company's expectations, the Company will require additional debt or equity financing. There can be no assurance that such additional funds will be available to the Company or will be available on favorable terms. In addition, the Company may require additional capital for other purposes not presently contemplated. If the Company is unable to obtain sufficient capital, it could be required to curtail its capital equipment and research and development expenditures, which could adversely affect the Company.

VOLATILITY OF STOCK PRICE. The market price of the Company's common stock has been, and may continue to be, extremely volatile. Factors such as new product announcements by the Company or its competitors, quarterly fluctuations in the operating results of the Company, its competitors and other technology companies and general conditions in the computer market may have a significant impact on the market price of the common stock. In particular, if the Company were to report operating results that did not meet the expectations of research analysts, the market price of the common stock could be materially adversely affected.

QUANTUM CORPORATION

PART II - OTHER INFORMATION

Item 1. Legal proceedings

The Company and certain of its current and former officers and directors have been named as defendants in two class action lawsuits, one filed on August 28, 1996, in the Superior Court of Santa Clara County, California, and one filed on August 30, 1996, in the U.S. District Court for the Northern District of California. The plaintiff purports to represent a class of all persons who purchased the Company's common stock between February 26, 1996, and June 13, 1996. The complaints allege that the defendants violated various federal securities laws and California statutes by concealing and/or misrepresenting material adverse information about the company and that individual defendants sold shares of the Company's stock based upon material nonpublic information. On October 23, 1996, the Company filed a Demurrer requesting dismissal of the state action. The Company believes that both actions are without merit and intends to defend against them vigorously. Nevertheless, litigation is subject to inherent uncertainties and thus there can be no assurance that these suits will be resolved favorably to the Company or will not have a material adverse effect on the Company's financial condition and results of operations.

Item 2. Changes in securities - Not Applicable.

Item 3. Defaults upon senior securities - Not Applicable

Item 4. Submission of matters to a vote of security holders

The 1996 Annual Meeting of Shareholders was held on September 3, 1996. The matters voted upon were the election of directors, the annual incentive plan for the company's Chief Executive Officer, the adoption of the 1996 Board of Directors Stock Option Plan, and the appointment of the independent auditors.

The shareholders approved the election of directors as follows:

	For	Against
Stephen M. Berkley	45,495,497	446,510
David A. Brown	45,493,366	448,641
Michael A. Brown	45,492,307	449,700
Robert J. Casale	45,498,907	443,100
Edward M. Esber	45,498,907	443,100
Steven C. Wheelwright	45,498,663	443,344

The shareholders approved and ratified the adoption of the annual incentive plan for the Company's Chief Executive Officer. The number of affirmative votes cast for this matter were 41,779,003. The number of negative votes cast with respect to this matter were 1,970,907, with 958,751 votes abstaining and 1,233,346 broker non-votes.

The shareholders approved and ratified the adoption of the 1996 Board of

Directors Stock Option Plan. There were 39,891,491 affirmative votes, 3,795,057 negative votes, 954,187 votes abstaining and 1,301,272 broker non-votes.

The appointment of Ernst & Young LLP as independent auditors of the Company for the fiscal year ending March 31, 1997, was approved with 45,727,174 affirmative votes, 79,577 negative votes and 135,256 votes abstaining.

In addition, the shareholders voted to allow the directors to vote on any other matters of business that might come before the meeting with 36,078,797 affirmative votes, 7,238,915 negative votes and 2,624,295 abstaining votes.

Item 5. Other information - Not Applicable

Item 6. Exhibits and reports on Form 8-K.

- (a) Exhibits. The exhibits listed on the accompanying index to exhibits immediately following the signature page are filed as part of this report.
- (b) Reports on Form 8-K. None

SIGNATURE

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

QUANTUM CORPORATION
(Registrant)

Date: November 13, 1996

By: /s/ Richard L. Clemmer

Richard L. Clemmer
Executive Vice President, Finance
and Chief Financial Officer

QUANTUM CORPORATION

INDEX TO EXHIBITS

Exhibit
Number

- 4.1 1996 Board of Directors Stock Option Plan and Form of Option Agreement, as amended
- 10.39 Sixth Amendment, dated as of August 13, 1996, to Credit Agreement (dated October 3, 1994) among Quantum Corporation and The Banks named therein and ABN AMRO BANK N.V., San Francisco International Branch, BARCLAYS BANK PLC and CIBC INC. as Managing Agents for the Banks, and CANADIAN IMPERIAL BANK OF COMMERCE as Administrative Agent and Collateral Agent for the Banks, and BANQUE PARIBAS; THE CIT GROUP/BUSINESS CREDIT INC.; THE MITSUBISHI TRUST AND BANKING, Los Angeles Agency; THE SUMITOMO TRUST AND BANKING CO., LTD., Los Angeles Agency; and BANQUE NATIONALE DE PARIS (collectively, the "New Banks")
- 10.40 Mortgage and Security Agreement made as of the 10th day of September

1996, by Quantum Peripherals Realty Corporation, as Mortgagor, to
CS First Boston Mortgage Capital Corporation, as Mortgagee

- 10.41 Deed of Trust and Security Agreement dated: As of September 10, 1996,
by Quantum Peripherals Realty Corporation (Grantor) to Public Trustee
of Boulder County, Colorado, as Trustee for the benefit of CS First
Boston Mortgage Capital Corp. (Beneficiary)
- 10.42 Master Lease between Quantum Peripherals Realty Corporation, Lessor,
and Quantum Corporation, Lessee, dated as of September 10, 1996
- 11.1 Statement of Computation of Net Income Per Share
- 27 Financial Data Schedule

Exhibit 4.1

QUANTUM CORPORATION
1996 BOARD OF DIRECTORS STOCK OPTION PLAN

1. Purposes of the Plan. The purposes of this 1996 Board of Directors Stock Option Plan are to attract and retain the best available personnel for service as Outside Directors (as defined herein) of the Company, to provide additional incentive to the Outside Directors of the Company to serve as Directors, and to encourage their continued service on the Board.

All options granted hereunder shall be nonstatutory stock options.

2. Definitions. As used herein, the following definitions shall apply:

(a) "Applicable Laws" means the legal requirements relating to the administration of stock option plans under applicable U. S. state corporate laws, U.S. federal and state securities laws, and any stock exchange or quotation system on which the Common Stock is listed or quoted.

(b) "Board" means the Board of Directors of the Company.

(c) "Code" means the Internal Revenue Code of 1986, as amended.

(d) "Common Stock" means the Common Stock of the Company.

(e) "Company" means Quantum Corporation, a Delaware corporation.

(f) "Director" means a member of the Board.

(g) "Employee" means any person, including officers and Directors, employed by the Company or any Parent or Subsidiary of the Company. The payment of a Director's fee by the Company shall not be sufficient in and of itself to constitute "employment" by the Company.

(h) "Exchange Act" means the Securities Exchange Act of 1934, as amended.

(i) "Fair Market Value" means, as of any date, the closing sales price of the Common Stock (or the closing bid, if no sales were reported) as quoted on the stock exchange with the greatest volume of trading in Common Stock on the date of grant, as reported in The Wall Street Journal or such other source as the Administrator deems reliable.

(j) "Inside Director" means a Director who is an Employee.

(k) "Option" means a stock option granted pursuant to the Plan.

(l) "Optioned Stock" means the Common Stock subject to an Option.

(m) "Optionee" means a Director who holds an Option.

(n) "Outside Director" means a Director who is not an Employee.

(o) "Parent" means a "parent corporation," whether now or hereafter existing, as defined in Section 424(e) of the Code.

(p) "Plan" means this 1996 Board of Directors Stock Option Plan.

(q) "Share" means a share of the Common Stock, as adjusted in accordance with Section 11 of the Plan.

(r) "Subsidiary" means a "subsidiary corporation," whether now or hereafter existing, as defined in Section 424(f) of the Internal Revenue Code of 1986.

3. Stock Subject to the Plan. Subject to the provisions of Section 11 of the Plan, the maximum aggregate number of Shares which may be optioned and sold under the Plan is 300,000 Shares of Common Stock (the "Pool"). The Shares may be authorized, but unissued, or reacquired Common Stock.

If an Option expires or becomes unexercisable without having been exercised in full, the unpurchased Shares which were subject thereto shall become available for future grant or sale under the Plan (unless the Plan has terminated). Shares that have actually been issued under the Plan shall not be returned to the Plan and shall not become available for future distribution under the Plan.

4. Administration.

(a) Procedure. The Plan shall be administered by the Board.

(b) Powers of the Administrator. Subject to the provisions of the Plan, the Board shall have the authority, in its discretion:

(i) to determine the Fair Market Value;

(ii) to select the Outside Directors to whom Options may be granted hereunder;

(iii) to determine the number of shares of Common Stock to be covered by each Option granted hereunder;

(iv) to approve forms of agreement for use under the Plan;

(v) to determine the terms and conditions, not inconsistent with the terms of the Plan, of any Option granted hereunder. Such terms and conditions include, but are not limited to, the exercise price, the time or times when Options may be exercised (which may be based on performance criteria), any vesting acceleration or waiver of forfeiture restrictions, and any restriction or limitation regarding any Option or the shares of Common Stock relating thereto, based in each case on such factors as the Board, in its sole discretion, shall determine;

(vi) to construe and interpret the terms of the Plan and Options granted pursuant to the Plan;

(vii) to prescribe, amend and rescind rules and regulations relating to the Plan;

(viii) to modify or amend each Option (subject to Section 12(b) of the Plan), including the discretionary authority to extend the post-termination exercisability period of Options longer than is otherwise provided for in the Plan;

(ix) to allow Optionees to satisfy withholding tax obligations by electing to have the Company withhold from the Shares to be issued upon exercise of an Option that number of Shares having a Fair Market Value equal to the amount required to be withheld. The Fair Market Value of the Shares to be withheld shall be determined on the date that the amount of tax to be withheld is to be determined. All elections by an Optionee to have Shares withheld for this purpose shall be made in such form and under such conditions as the Board may deem necessary or advisable;

(x) to authorize any person to execute on behalf of the Company any instrument required to effect the grant of an Option previously granted by the Board,

(xi) to make all other determinations deemed necessary or advisable for administering the Plan.

(c) Effect of Administrator's Decision. The Board's decisions, determinations and interpretations shall be final and binding on all Optionees and any other holders of Options.

5. Eligibility. Options may be granted only to Outside Directors.

The Plan shall not confer upon any Optionee any right with respect to continuation of service as a Director or nomination to serve as a Director, nor shall it interfere in any way with any rights which the Director or the Company may have to terminate the Director's relationship with the Company at any time.

6. Term of Plan. The Plan shall become effective upon the earlier to occur of its adoption by the Board or its approval by the stockholders of the Company as described in Section 17 of the Plan. It shall continue in effect

for a term of ten (10) years unless sooner terminated under Section 12 of the Plan.

7. Term of Option. The term of each Option shall be stated in the Option Agreement. The term of each Option shall be ten (10) years from the date of grant or such shorter term as may be provided in the Option Agreement.

8. Option Exercise Price and Consideration.

(a) Exercise Price. The per share exercise price for the Shares to be issued pursuant to exercise of an Option shall be one hundred percent of the Fair Market Value per Share on the date of grant.

(b) Form of Consideration. The consideration to be paid for the Shares to be issued upon exercise of an Option, including the method of payment, shall consist of (i) cash, (ii) check, (iii) other shares which (x) in the case of

Shares acquired upon exercise of an Option, have been owned by the Optionee for more than six (6) months on the date of surrender, and (y) have a Fair Market Value on the date of surrender equal to the aggregate exercise price of the Shares as to which said Option shall be exercised, (iv) delivery of a properly executed exercise notice together with such other documentation as the Company and the broker, if applicable, shall require to effect an exercise of the Option and delivery to the Company of the sale or loan proceeds required to pay the exercise price, or (v) any combination of the foregoing methods of payment.

9. Exercise of Option.

(a) Procedure for Exercise; Rights as a Stockholder. Any Option granted hereunder shall be exercisable at such times as are set forth in the Option Agreement; provided, however, that no Options shall be exercisable until stockholder approval of the Plan in accordance with Section 17 hereof has been obtained.

An Option may not be exercised for a fraction of a Share.

An Option shall be deemed to be exercised when written notice of such exercise has been given to the Company in accordance with the terms of the Option by the person entitled to exercise the Option and full payment for the Shares with respect to which the Option is exercised has been received by the Company. Full payment may consist of any consideration and method of payment allowable under Section 8 of the Plan. Until Shares are issued (as evidenced by the appropriate entry on the books of the Company or of a duly authorized transfer agent of the Company), no right to vote or receive dividends or any other rights as a stockholder shall exist with respect to the Optioned Stock, notwithstanding the exercise of the Option. The Company shall issue (or cause to be issued) such Shares promptly after exercise of the Option. No adjustment shall be made for a dividend or other right for which the record date is prior to the date the Shares are issued, except as provided in Section 11 of the Plan.

Exercise of an Option in any manner shall result in a decrease in the number of Shares which thereafter may be available, both for purposes of the Plan and for sale under the Option, by the number of Shares as to which the Option is exercised.

(b) Termination of Continuous Status as a Director. Subject to Section 11 hereof, in the event an Optionee ceases to be a Director, the Optionee may exercise his or her Option, but only within ninety (90) days following the date of such termination, and only to the extent that the Optionee was entitled to exercise it on the date of such termination (but in no event later than the expiration of its ten (10) year term). To the extent that the Optionee was not entitled to exercise an Option on the date of such termination, and to the extent that the Optionee does not exercise such Option (to the extent otherwise so entitled) within the time specified herein, the Option shall terminate.

10. Non-Transferability of Options. Unless otherwise provided for by the Board, the Option may not be sold, pledged, assigned, hypothecated, transferred, or disposed of in any manner other than by will or by the laws of descent or distribution and may be exercised, during the lifetime of the Optionee, only by the Optionee.

11. Adjustments Upon Changes in Capitalization, Dissolution, Merger or Asset Sale.

(a) Changes in Capitalization. Subject to any required action by the stockholders of the Company, the number of Shares covered by each outstanding Option, the number of Shares which have been authorized for issuance under the Plan but as to which no Options have yet been granted or which have been returned to the Plan upon cancellation or expiration of an Option, as well as the price per Share covered by each such outstanding Option, and the number of Shares issuable under the Plan shall be proportionately adjusted for any increase or decrease in the number of issued Shares resulting from a stock split, reverse stock split, stock dividend, combination or reclassification of the Common Stock, or any other increase or decrease in the number of issued Shares effected without receipt of consideration by the Company; provided, however, that conversion of any convertible securities of the Company shall not be deemed to have been "effected without receipt of consideration." Except as expressly provided herein, no issuance by the Company of shares of stock of any class, or securities convertible into shares of stock of any class, shall affect, and no adjustment by reason thereof shall be made with respect to, the number or price of Shares subject to an Option.

(b) Dissolution or Liquidation. In the event of the proposed dissolution or liquidation of the Company, to the extent that an Option has not been previously exercised, it shall terminate immediately prior to the consummation of such proposed action.

(c) Merger or Asset Sale. In the event of a merger of the Company with or into another corporation or the sale of substantially all of the assets of the Company, outstanding Options may be assumed or equivalent options may be substituted by the successor corporation or a Parent or

Subsidiary thereof (the "Successor Corporation"). If an Option is assumed or substituted for, the Option or equivalent option shall continue to be exercisable as provided in the Option Agreement for so long as the Optionee serves as a Director or a director of the Successor Corporation. Following such assumption or substitution, if the Optionee's status as a Director or director of the Successor Corporation, as applicable, is terminated other than upon a voluntary resignation by the Optionee, the Option or option shall become fully exercisable, including as to Shares for which it would not otherwise be exercisable. Thereafter, the Option or option shall remain exercisable in accordance with Section 9(b) above.

If the Successor Corporation does not assume an outstanding Option or substitute for it an equivalent option, the Option shall become fully vested and exercisable, including as to Shares for which it would not otherwise be exercisable. In such event the Board shall notify the Optionee that the Option shall be fully exercisable for a period of thirty (30) days from the date of such notice, and upon the expiration of such period the Option shall terminate.

For the purposes of this Section 11(c), an Option shall be considered assumed if, following the merger or sale of assets, the Option confers the right to purchase or receive, for each Share of Optioned Stock subject to the Option immediately prior to the merger or sale of assets, the consideration (whether stock, cash, or other securities or property) received in the merger or sale of assets by holders of Common Stock for each Share held on the effective date of the transaction (and if holders were offered a choice of consideration, the type of consideration chosen by the holders of a majority of the outstanding Shares). If such consideration received in the merger or sale of assets is not solely common stock of the successor corporation or its Parent, the Administrator may, with the consent of the successor corporation, provide for the consideration to be received upon the exercise of the Option, for each Share of Optioned Stock subject to the Option, to be solely common stock of the successor corporation or its Parent equal in fair market value to the per share consideration received by holders of Common Stock in the merger or sale of assets.

12. Amendment and Termination of the Plan.

(a) Amendment and Termination. The Board may at any time amend, alter, suspend, or discontinue the Plan, but no amendment, alteration, suspension, or discontinuation shall be made which would impair the rights of any Optionee under any grant theretofore made, without his or her consent. In addition, to the extent necessary and desirable to comply with Applicable Laws, the Company shall obtain stockholder approval of any Plan amendment in such a manner and to such a degree as required.

(b) Effect of Amendment or Termination. Any such amendment or termination of the Plan shall not affect Options already granted and such Options shall remain in full force and effect as if this Plan had not been amended or terminated.

13. Time of Granting Options. The date of grant of an Option shall,

for all purposes, be the date on which the Board makes the determination granting such Option.

14. Conditions Upon Issuance of Shares. Shares shall not be issued pursuant to the exercise of an Option unless the exercise of such Option and the issuance and delivery of such Shares pursuant thereto shall comply with all Applicable Laws, and shall be further subject to the approval of counsel for the Company with respect to such compliance.

As a condition to the exercise of an Option, the Company may require the person exercising such Option to represent and warrant at the time of any such exercise that the Shares are being purchased only for investment and without any present intention to sell or distribute such Shares, if, in the opinion of counsel for the Company, such a representation is required by any of the aforementioned relevant provisions of law.

Inability of the Company to obtain authority from any regulatory body having jurisdiction, which authority is deemed by the Company's counsel to be necessary to the lawful issuance and sale of any Shares hereunder, shall relieve the Company of any liability in respect of the failure to issue or sell such Shares as to which such requisite authority shall not have been obtained.

15. Reservation of Shares. The Company, during the term of this Plan, will at all times reserve and keep available such number of Shares as shall be sufficient to satisfy the requirements of the Plan.

16. Option Agreement. Options shall be evidenced by written option agreements in such form as the Board shall approve.

17. Stockholder Approval. Continuance of the Plan shall be subject to approval by the stockholders of the Company at or prior to the first annual

meeting of stockholders held subsequent to the granting of an Option hereunder. Such stockholder approval shall be obtained in the degree and manner required under Applicable Laws.

NOTICE OF GRANT OF STOCK
OPTIONS AND GRANT AGREEMENT

QUANTUM CORPORATION
ID: 94-2665054
500 McCarthy Boulevard
Milpitas, CA 95035

Name : _____

Address: _____

ID : _____

I. NOTICE OF GRANT. Unless otherwise defined herein, the terms defined in the Plan are so defined in this Agreement.

Non-Qualified Stock Option Grant No. _____
Date of Grant _____
Stock Option Plan _____ 96

Option Price per Share \$ _____
Total Number of Shares Granted _____
Total Price of Shares Granted \$ _____

Vesting Commencement Date _____
Term/Expiration Date _____

VESTING SCHEDULE. This option may be exercised, in whole or in part, in accordance with the attached grant summary.

By your signature and the signature of the Company's representative below, you and the Company agree that this option is granted under and governed by the terms and conditions of the Plan and this Agreement. Optionee has reviewed the Plan and this Agreement, and understands all provisions of the Plan and Agreement. Optionee hereby agrees to accept as binding, conclusive and final all decisions or interpretations of the Board on questions relating to the Plan and Agreement.

For QUANTUM CORPORATION

Date

Optionee

Date

QUANTUM CORPORATION
GRANT SUMMARY AS OF _____

PAGE: 1
FORM: 6I
DATE: _____
TIME: _____

Name : _____

ID : _____

Grant Number: _____
Grant Date : _____
Option Price: _____
Total Shares: _____
Total Price : _____

Grant Type : NQ
Plan : 96
Grant Status: Active

II. Agreement

1. Grant of Option. The Board of the Company hereby grants to the Optionee named in the Notice of Grant attached as Part I of this Agreement (the "Optionee"), an option (the "Option") to purchase a number of Shares, as set forth in the Notice of Grant, at the exercise price per share set forth in the Notice of Grant (the "Exercise Price"), subject to the terms and conditions of the Plan, which is incorporated herein by reference. In the event of a conflict between the terms and conditions of the Plan and the terms and conditions of this Agreement, the terms and conditions of the Plan shall prevail.

If designated in the Notice of Grant as an Incentive Stock Option, this Option is intended to qualify as an Incentive Stock Option under Section 422 of the Code.

2. Exercise of Option.

(a) Right to Exercise. This Option is exercisable during its term in accordance with the Vesting Schedule set out in the Notice of Grant and the applicable provisions of the Plan and this Agreement. In the event of Optionee's death, disability or other termination of Optionee's employment or consulting relationship, the exercisability of the Option is governed by the applicable provisions of the Plan and this Agreement.

(b) Method of Exercise. This Option is exercisable by delivery of an exercise notice (the "Exercise Notice"), which shall state the election to exercise the Option, the number of Shares in respect of which the Option is being exercised (the "Exercised Shares"), and such other representations and agreements as may be required by the Company pursuant to the provisions of the Plan. The Exercise Notice shall be signed by the Optionee and shall be delivered in person or by certified mail to the Secretary of the Company. The Exercise Notice shall be accompanied by payment of the aggregate exercise price as to all Exercised Shares. This Option shall be deemed to be exercised upon receipt by the Company of such fully executed Exercise Notice accompanied by such aggregate Exercise Price.

No Shares shall be issued pursuant to the exercise of this Option unless (i) a registration statement under the Securities Act of 1933 covering the Shares is effective, and (ii) such issuance and exercise complies with all relevant provisions of law and the requirements of any stock exchange or quotation service upon which the Shares are then listed. Assuming such compliance, for income tax purposes, the Exercised Shares shall be considered transferred to the Optionee on the date the Option is exercised with respect to such Exercised Shares.

3. Method of Payment. Payment of the aggregate Exercise Price shall be by any of the following, or a combination thereof, at the election of the Optionee:

(a) cash; or

(b) check; or

(c) delivery of a properly executed exercise notice together with such other documentation as the Board and the broker, if applicable, shall require to effect an exercise of the Option and delivery to the Company of the sale or loan proceeds required to pay the exercise price; or

(d) surrender of other Shares which (i) in the case of Shares acquired upon exercise of an Option, have been owned by the optionee for more than six (6) months on the date of surrender, and (ii) have a Fair Market Value on the date of surrender not greater than the aggregate Exercise Price of the Exercised Shares.

4. Non-Transferability of Option. This Option may not be transferred in any manner otherwise than by will or by the laws of descent or distribution and may be exercised during the lifetime of Optionee, only by the Optionee. The terms of the Plan and this Agreement shall be binding upon the executors, administrators, heirs, successors and assigns of the Optionee.

5. Term of Option. This Option may be exercised only within the term set out in the Notice of Grant, and may be exercised during such term only in accordance with the Plan and the terms of this Agreement.

6. Termination Period. This Option may be exercised for three months after termination of employment or consulting relationship, or such longer period as may be applicable upon death or disability of Optionee as provided in the Plan, but in no event later than the term/expiration date.

7. Tax Consequences. Some of the federal and California tax consequences relating to this Option, as of the date of this Option, are set forth below. THIS SUMMARY IS NECESSARILY INCOMPLETE, AND THE TAX LAWS AND REGULATIONS ARE SUBJECT TO CHANGE. THE OPTIONEE SHOULD CONSULT A TAX ADVISER BEFORE EXERCISING THIS OPTION OR DISPOSING OF THE SHARES.

(a) Exercising the Option.

(i) Nonqualified Stock Option ("NQO") If this Option does not qualify as an ISO, the Optionee may incur regular federal income tax and California income tax liability upon exercise. The Optionee will be treated as having received compensation income (taxable at ordinary income tax rates) equal to the excess, if any, of the fair market value of the Exercised Shares on the date of exercise over their aggregate Exercise Price. If the Optionee is an employee, the Company will be required to withhold from his or her compensation or collect from Optionee and pay to the applicable taxing authorities an amount equal to a percentage of this compensation income at the time of exercise.

(ii) Incentive Stock Option ("ISO"). If this Option qualifies as an ISO, the Optionee will have no regular federal income tax or California income tax liability upon its exercise, although the excess, if any, of the fair market value of the Exercised Shares on the date of exercise over their aggregate Exercise Price will be treated as an adjustment to the alternative minimum tax for federal tax purposes and may subject the Optionee to alternative minimum tax in the year of exercise.

(b) Disposition of Shares.

(i) NQO. If the Optionee holds NQO Shares for at least one year, any amounts realized on disposition of the Shares in excess of the fair market value of the Shares at the date of exercise will be treated as long-term capital gain for federal income tax purposes.

(ii) ISO. If the Optionee holds ISO Shares for at least one year after exercise and two years after the grant date, any gain realized on disposition of the Shares will be treated as long-term capital gain for federal income tax purposes. If the Optionee disposes of ISO Shares within one year after exercise or two years after the grant date, any gain realized on such disposition will be treated as compensation income (taxable at ordinary income rates) to the extent of the excess, if any, of the lesser of (A) the difference between the fair market value of the Shares acquired on the date of exercise and the aggregate Exercise Price, or (B) the difference between the sale price of such Shares and the aggregate Exercise Price.

(c) Notice of Disqualifying Disposition of ISO Shares. If the Optionee sells or otherwise disposes of any of the Shares acquired pursuant to an ISO on or before the later of (i) two years after the grant date, or (ii) one year after the exercise date, the Optionee shall immediately notify the Company in writing of such disposition.

8. Acknowledgments of Optionee. Optionee has reviewed the Plan and this Agreement in their entirety, has had an opportunity to obtain the advice of counsel prior to executing this Agreement and fully understands all provisions of the Plan and Agreement.

OPTIONEE ACKNOWLEDGES AND AGREES THAT THE VESTING OF SHARES PURSUANT TO THE OPTION HEREOF IS EARNED ONLY BY CONTINUING CONSULTANCY OR EMPLOYMENT AT THE WILL OF THE COMPANY (NOT THROUGH THE ACT OF BEING HIRED, BEING GRANTED THIS OPTION OR ACQUIRING SHARES HEREUNDER). OPTIONEE FURTHER ACKNOWLEDGES AND AGREES THAT NOTHING IN THIS AGREEMENT, NOR IN THE COMPANY'S STOCK PLAN WHICH IS INCORPORATED HEREIN BY REFERENCE, SHALL CONFER UPON OPTIONEE ANY RIGHT WITH RESPECT TO CONTINUATION OF EMPLOYMENT OR CONSULTANCY BY THE COMPANY, NOR SHALL IT INTERFERE IN ANY WAY WITH HIS RIGHT OR THE COMPANY'S RIGHT TO TERMINATE HIS EMPLOYMENT OR CONSULTANCY AT ANY TIME, WITH OR WITHOUT CAUSE.

Control No. _____
(for office use only)

Quantum (Registered)
Capacity for the extraordinary (Trademark)

NOTICE OF ELECTION TO EXERCISE VESTED SHARES

Name: _____

Address: _____

Social Security # _____ Day Phone or Quantum Ext. _____

Grant No. _____ ISO OR NQ _____ Grant Date _____
(circle one)

Exercise Date _____ (May be left blank for Same Day Sales)

Number of Shares exercised at this time _____

Option Price Per Share _____ Total Cost _____

Please complete either "Same Day Sale" or "Cash Exercise" information below:

SAME DAY SALE: I authorize _____

(name and location of Quantum's selling broker)

to pay out of my account sufficient moneys to Quantum Corporation to exercise my option.

CASH EXERCISE: Certificate Delivery Instructions: (Designate One)

Broker: _____ Broker Name: _____
Address: _____
Account: _____

Home: _____ Address: _____

Pick up certificate at Quantum: _____

EMPLOYEE SIGNATURE _____ Date _____

Distribution: Original or Fax to Quantum's Stock Administration and If Same Day Sale, FAX a copy to selling broker.

SIXTH AMENDMENT TO CREDIT AGREEMENT

THIS SIXTH AMENDMENT TO CREDIT AGREEMENT (this "Amendment"), dated as of August 13, 1996, is entered into by and among:

- (1) QUANTUM CORPORATION, a Delaware corporation ("Borrower");
- (2) Each of the financial institutions which is listed in Schedule I to the Credit Agreement referred to in Recital A below and which continues to be a party to such Credit Agreement (such financial institutions to be referred to herein collectively as the "Existing Banks");
- (3) ABN AMRO BANK N.V., San Francisco International Branch ("ABN"), BARCLAYS BANK PLC ("Barclays") and CIBC INC. ("CIBC"), as managing agents for the Existing Banks (collectively in such capacity, the "Managing Agents");
- (4) BANK OF AMERICA NATIONAL TRUST AND SAVINGS ASSOCIATION, THE FIRST NATIONAL BANK OF BOSTON and THE INDUSTRIAL BANK OF JAPAN, LIMITED, as co-agents for the Existing Banks;
- (5) CANADIAN IMPERIAL BANK OF COMMERCE, as administrative and collateral agent for the Existing Banks (in such capacities, the "Administrative Agent"); ABN, as syndication agent for the Existing Banks; and Barclays, as documentation agent for the Existing Banks; and
- (6) BANQUE PARIBAS; THE CIT GROUP/BUSINESS CREDIT, INC.; THE MITSUBISHI TRUST AND BANKING, Los Angeles Agency; THE SUMITOMO TRUST AND BANKING CO., LTD., Los Angeles Agency; and BANQUE NATIONALE DE PARIS (collectively, the "New Banks").

RECITALS

A. Borrower, the Existing Banks, Managing Agents and Administrative Agent are parties to a Credit Agreement dated as of October 3, 1994, as amended by a First Amendment to Credit Agreement dated as of February 15, 1995, a Second Amendment to Credit Agreement dated as of June 26, 1995, a Third Amendment to Credit Agreement dated as of September 29, 1995, a Fourth Amendment to Credit Agreement dated as of January 29, 1996 and a Fifth Amendment to Credit Agreement dated as of May 29, 1996 (as so amended, the "Credit Agreement"), pursuant to which the Existing Banks have provided certain credit facilities to Borrower.

B. Borrower previously has prepaid the term loans made to Borrower on October 3, 1994 pursuant to the term loan facility provided in the Credit Agreement. Borrower now has requested the Existing Banks, Managing Agents and Administrative Agent to amend the Credit Agreement to add a new term loan facility, to add the New Banks and to make certain other changes.

C. The Existing Banks, Managing Agents and Administrative Agent are willing so to amend the Credit Agreement upon the terms and subject to the conditions set forth below.

AGREEMENT

NOW, THEREFORE, in consideration of the above recitals and for other good and valuable consideration, the receipt and adequacy of which are hereby acknowledged, Borrower, the Existing Banks, Managing Agents, Administrative Agent and the New Banks hereby agree as follows:

1. Definitions, Interpretation. All capitalized terms defined above and elsewhere in this Amendment shall be used herein as so defined. Unless otherwise defined herein, all other capitalized terms used herein shall have the respective meanings given to those terms in the Credit Agreement, as amended by this Amendment. The rules of construction set forth in Section I of the Credit Agreement shall, to the extent not inconsistent with the terms of this Amendment, apply to this Amendment and are

hereby incorporated by reference.

2. Amendments to Credit Agreement. Subject to the satisfaction of the conditions set forth in paragraph 5 below, the Credit Agreement is hereby amended as follows:

(a) Paragraph 1.01 is amended by changing the definitions of the following terms set forth therein to read in their entirety as follows:

"Closing Date" shall mean the date the Original Term Loans were made.

"Loan" shall mean a Revolving Loan or Term Loan (or, where the context so permits, an Original Term Loan).

(b) Paragraph 1.01 is further amended by (i) deleting the proviso at the end of the definition of "Commitment Fee Percentage" and (ii) changing the proviso at the end of the first sentence of the definition of "Applicable Margin" to read in its entirety as follows:

Provided, however, that each of the Applicable Margins set forth above shall be increased by two percent (2.00%) on the date an Event of Default occurs and shall continue at such increased rate until such Event of Default is waived by the Banks.

(c) Paragraph 1.01 is further amended by adding thereto, in the appropriate alphabetical order, the following definitions to read in their entirety as follows:

"Operating Performance Ratio" shall mean, with respect to any Person for any fiscal quarter, the ratio, determined on a consolidated basis in accordance with GAAP where applicable, of;

(a) The product of EBITDA of such Person and its Subsidiaries for such quarter times four (4);

to

(b) The sum of (i) the product of the Interest Expenses of such Person and its Subsidiaries for such quarter times four (4) plus (ii) the greater of (A) \$50,000,000 and (B) the current portion of the long-term debt of such Person and its Subsidiaries as of the last day of such quarter.

"Original Term Loans" shall mean the term loans in the aggregate principal amount of \$125,000,000 made by the Banks to Borrower on October 3, 1994.

"Second Closing Date" shall mean the date the Term Loans are made.

(d) Paragraph 1.01 is further amended by deleting the definitions of the following terms set forth therein:

"Debt Service Coverage Ratio"

"Designated Asset Sale Proceeds"

"Fixed Charge Coverage Ratio"

"Pricing Reduction Period"

(e) Subparagraph 2.02(a) is amended by changing the first sentence thereof to read in its entirety as follows:

Subject to the terms and conditions of this Agreement (including the amount limitations set forth in Paragraph 2.05), each Bank severally agrees to advance to Borrower on or prior to August 16, 1996, a term loan under this Paragraph 2.02 (individually, a "Term Loan") in the principal amount of such Bank's Term Loan Commitment; provided, however, that the aggregate principal amount of all Term Loans made by all Banks shall not exceed Seventy-Five Million Dollars (\$75,000,000) (such amount to be referred to herein as the "Total Term Loan Commitment").

(f) Subparagraph 2.02(b) is amended by changing the second sentence thereof to read in its entirety as follows:

Borrower shall give the Notice of Term Loan Borrowing to Administrative Agent at least one (1) Business Day before the Second Closing Date.

(g) Subparagraph 2.02(c) is amended by changing the proviso appearing after clause (ii) thereof to read in its entirety as follows:

Provided, however, that all Portions of the Term Loans outstanding during the period commencing on the Second Closing Date and ending three (3) Business Days after the Second Closing Date shall be Term Base Rate Loan Portions.

(h) Subparagraph 2.02(f) is amended by changing the first sentence thereof to read in its entirety as follows:

Subject to Subparagraph 2.05(c), Borrower shall repay the principal amount of the Term Loans in eight (8) equal installments of \$9,375,000 each payable on the last day of each March, June, September and December, commencing December 31, 1996 and ending on September 30, 1998 (each such date to be referred to herein as a "Term Loan Installment Date"); provided, however, that the principal payment due on September 30, 1998 (the "Term Loan Maturity Date") shall be in the amount necessary to pay all remaining unpaid principal on all Term Loans.

(i) Subparagraph 2.02(g) is amended to read in its entirety as follows:

(g) Purpose. Borrower shall use the proceeds of the Term Loans solely to finance Borrower's working capital and general corporate needs.

(j) Subparagraph 2.05(c) is amended by (i) deleting clauses (ii), (iii), (iv), (v) and (vii) thereof and (ii) changing the designation of clause (vi) to "(ii)" and changing that clause to read in its entirety as follows:

(ii) If, at any time after the Second Closing Date, Borrower issues or sells any Indebtedness for borrowed money, including Indebtedness evidenced by notes, bonds, debentures or other similar instruments (other than Subordinated Debt or any Indebtedness permitted by clause (i), (iii), (xi), (xv) or (xviii) of Subparagraph 5.02(a)), Borrower shall, immediately after such issuance or sale, prepay Term Loans in an aggregate principal amount equal to one hundred percent (100%) of the Net Proceeds of such debt.

(k) Subparagraph 2.05(d) is amended by changing the second sentence thereof to read in its entirety as follows:

All mandatory prepayments of Term Loan Borrowings made by Borrower pursuant to clause (ii) of Subparagraph 2.05(c) shall reduce the aggregate principal amount payable by Borrower on the then remaining Term Loan Installment Dates in inverse order commencing with the Term Loan Maturity Date.

(l) Subparagraph 2.07(b) is amended by changing the term "Closing Date" appearing in clause (iii) thereof to "Second Closing Date".

(m) Section III is amended by (i) changing the designation of Paragraph 3.02 to "3.03" and (ii) adding thereto, immediately after Paragraph 3.01, a new Paragraph 3.02 to read in its entirety as follows:

3.02. Conditions Precedent to Term Loans. The obligations of the Banks to make the Term Loans on the Second Closing Date are subject to receipt by Administrative Agent, on or prior to the date specified, of the following, each in form and substance reasonably satisfactory to the Banks, and with sufficient copies for, Administrative Agent and each Bank:

(a) On or prior to the date required by Subparagraph 2.02(b), the Notice of Term Loan Borrowing, appropriately completed and duly executed by Borrower; and

(b) On or prior to the Second Closing Date, a Term Loan Note for each Bank, appropriately completed and duly executed by Borrower.

(n) Subparagraph 5.01(a) is amended by changing clauses (ix) and (x) thereof to read in their entirety as follows:

(ix) As soon as possible and in no event later than five (5) Business Days after the issuance or sale of any Indebtedness which requires a prepayment pursuant to Subparagraph 2.05(c), the statement of an Executive Officer of Borrower setting forth the details of such issuance or sale;

(x) [Reserved];

(o) Subparagraph 5.02(a) is amended by changing clauses (iii)(D), (viii) and (xvii) thereof to read in their entirety as follows:

(D) Loans and Capital Leases incurred by Borrower or any of its Subsidiaries to finance the Shrewsbury Property, provided that such Indebtedness does not exceed the fair market value of such property;

(viii) Indebtedness of Borrower to MKE, provided that (A) such Indebtedness is subordinated to the Obligations on terms and conditions no less favorable to the Agents and Banks than those set forth on Exhibit R or as otherwise approved by the Required Banks; and (B) the aggregate principal amount of all Subordinated Debt of Borrower (including MKE Subordinated Debt) outstanding at any time does not exceed the Subordinated Debt Limit at such time;

(xvii) Indebtedness of Borrower (other than MKE Subordinated Debt) which is subordinated to the Obligations, provided that (A) the payment terms, interest rate, subordination provisions and other terms of such Indebtedness are approved by the Required Banks; and (B) the aggregate principal amount of all Subordinated Debt of Borrower (including MKE Subordinated Debt) outstanding at any time does not exceed the Subordinated Debt Limit at such time; and

(p) Subparagraph 5.02(a) is further amended by changing the amount "\$80,000,000" appearing in clause (1) of the proviso at the end thereof to "\$120,000,000".

(q) Subparagraph 5.02(c) is amended by changing clause (vi)(A) thereof to read in its entirety as follows:

(A) Any such assets or property which are subject to a Lien in favor of Administrative Agent (except for (1) Excluded Foreign Subsidiary Equipment Transfers or (2) the Shrewsbury Property to the extent transferred in connection with a financing thereof permitted by clause (iii) of Subparagraph 5.02(a)) continue to be subject to such Lien with no loss of priority or perfection;

(r) Subparagraph 5.02(d) is amended by changing the amount "\$25,000,000" appearing in clause (v)(C) thereof to "\$35,000,000".

(s) Subparagraph 5.02(e) is amended by changing the amount "\$25,000,000" appearing in clause (xiv) thereof to "\$35,000,000".

(t) Subparagraph 5.02(g) is amended by replacing the period on the last line thereof with a ";" and adding, immediately after such line, a new proviso to read in its entirety as follows:

Provided, however, that Borrower and its Subsidiaries shall not pay or incur (without duplication) Capital Expenditures in excess of \$131,250,000 (i) in the period October 1, 1996 - September 30, 1997 if Borrower's Operating Performance Ratio for the quarter ending September 30, 1996 is less than 1.50; (ii) in the period January 1, 1997 - December 31, 1997 if

Borrower's Operating Performance Ratio for the quarter ending December 31, 1996 is less than 2.50; or (iii) in the period April 1, 1997 - March 31, 1998 if Borrower's Operating Performance Ratio for the quarter ending March 31, 1997 is less than 3.00; except that, notwithstanding the failure of Borrower to maintain an Operating Performance Ratio of 1.50 or greater for the quarter ending September 30, 1996 or 2.50 or greater for the quarter ending December 31, 1996, the limitations set forth in this proviso shall cease to apply after March 31, 1997 if Borrower's Operating Performance Ratio for the quarter ending on that date or any quarter thereafter exceeds 3.00.

(u) Subparagraph 5.02(m) is amended by changing clauses (i), (ii), (iv) and (v) thereof to read in their entirety as follows:

(i) Borrower shall not permit its Operating Performance Ratio for each fiscal quarter set forth below to be less than the ratio set forth opposite such quarter below:

Quarter ending		
	June 30, 1996	1.25;
Quarter ending		
	September 30, 1996	1.25;
Quarter ending		
	December 31, 1996	2.00;
Quarter ending		
	March 31, 1997	2.50;
Each quarter thereafter		3.00.

(ii) [Reserved].

(iv) Borrower shall not permit its Leverage Ratio during any period set forth below to be more than the ratio set forth opposite such period below:

From the Closing Date to		
	March 30, 1996	1.35;
March 31, 1996 to		
	June 30, 1996	1.20;
July 1, 1996 to		
	March 30, 1998	1.25;
Thereafter		1.00.

(v) Borrower shall not permit (A) its net income for more than one quarter in any consecutive four-quarter period commencing on or after April 1, 1996 to be a loss or (B) its cumulative net income for any consecutive four-quarter period commencing on or after April 1, 1996 to be a loss.

(v) Paragraph 8.01 is amended by changing the "Attn:", "Telephone" and "Facsimile" information set forth under Borrower's address therein to read as follows:

Attn: Ed McClammy
Vice President Finance, Treasurer
and Acting CFO
Telephone: (408) 894-5703
Facsimile: (408) 894-4562

(w) Subparagraph 8.05(c) is amended by adding thereto, at the end of clause (iv) thereof, a new sentence to read in its entirety as follows:

The Revolving Loan Proportionate Share and Term Loan Proportionate Share of each Bank shall at all times be the same.

(x) Schedule I is amended to read in its entirety as set forth in Attachment 1 hereto.

(y) Exhibit D is amended by changing Paragraph 2 thereto to read in its entirety as follows:

2. Pursuant to Subparagraph 2.02(b) of the Credit Agreement, Borrower hereby requests the Term Loan Borrowing, in the aggregate principal amount of _____ Dollars (\$_____), to be made on _____, 1996 (the "Second Closing Date").

(z) Exhibit H is amended by changing the year "1994"

appearing on the second line thereof to "1996".

3. Representations and Warranties. Borrower hereby represents and warrants to the Existing Banks and the New Banks (collectively, the "Banks") and the Agents that the following are true and correct on the date of this Amendment and that, after giving effect to the amendments set forth in paragraph 2 above, the following also will be true and correct on the Effective Date (as defined below):

(a) The representations and warranties of Borrower and its Subsidiaries set forth in Paragraph 4.01 of the Credit Agreement and in the other Credit Documents are true and correct in all material respects as if made on the date hereof (except for representations and warranties expressly made as of a specified date, which shall be true and correct as of such date);

(b) No Default or Event of Default has occurred and is continuing; and

(c) Each of the Credit Documents is in full force and effect.

(Without limiting the scope of the term "Credit Documents," Borrower expressly acknowledges in making the representations and warranties set forth in this paragraph 3 that, on and after the date hereof, such term includes this Amendment.)

4. Amendment Fee. On the Effective Date (as defined below), Borrower shall pay to each Existing Bank which will continue as a Bank after the Effective Date a nonrefundable amendment fee (the "Amendment Fee") equal to one-fifth of one percent (0.20%) of such Existing Bank's Revolving Loan Commitment and Term Loan Commitment after the Effective Date immediately after the effectiveness of this Amendment, net of any increase from the date immediately prior to the Effective Date.

5. Effective Date. The amendments effected by paragraph 2 above shall become effective on August 15, 1996 (such date, if the conditions set forth in this paragraph are satisfied, to be referred to herein as the "Effective Date"), subject to receipt by Administrative Agent and the Banks on or prior to the Effective Date of the following, each in form and substance satisfactory to Administrative Agent, the Banks and their respective counsel; provided, however, that the amendments effected by subparagraphs (a) through (d) and (n) through (v) of paragraph 2 above shall become effective on receipt by Administrative Agent on or prior to the Effective Date of this Amendment duly executed by Borrower, the Required Banks (as existing prior to the Effective Date) and each Agent:

(a) This Amendment duly executed by Borrower, each Bank and each Agent;

(b) A new Revolving Loan Note for each Bank which will have a Revolving Loan Commitment after the Effective Date in the amount of such Revolving Loan Commitment, duly executed by Borrower;

(c) A letter in the form of Exhibit A hereto, dated the Effective Date and duly executed by Quantum Europe and Quantum Holdings;

(d) A Certificate of the Assistant Secretary of Borrower, dated the Effective Date, certifying that (i) the Certificate of Incorporation and Bylaws of Borrower, in the forms delivered to Agent on the Closing Date, are in full force and effect and have not been amended, supplemented, revoked or repealed since such date and (ii) attached thereto is a true and correct copy of resolutions duly adopted by the Board of Directors of Borrower and continuing in effect, which authorize the execution, delivery and performance by Borrower of this Amendment and the consummation of the transactions contemplated hereby;

(e) A favorable written opinion of Cooley, Godward, Castro, Huddleson & Tatum, counsel to Borrower, dated the Effective Date, addressed to the Administrative Agent for the benefit of the Agents and the Banks, covering such legal matters as Agents may reasonably request and otherwise in form and substance satisfactory to the Agents;

(f) Such instruments, agreements, certificates, opinions and documents as Administrative Agent may reasonably request to grant, perfect, maintain, protect and evidence security interests in favor of Administrative Agent, for the benefit of the Agents and Banks, in all right, title and interest of Borrower in patents, patent applications, trademarks and trademark applications acquired by Borrower since the Closing Date prior to the Liens or other interests of any Person, except for Permitted Liens;

(g) Such instruments, agreements, certificates, opinions and documents as Administrative Agent may reasonably request to grant, perfect, maintain, protect and evidence security interests in favor of Administrative Agent, for the benefit of the Agents and Banks, in all right, title and interest of Borrower in the stock of Subsidiaries of Borrower acquired by Borrower since the Closing Date prior to the Liens or other interests of any Person, except for Permitted Liens;

(h) An organizational chart for Borrower and its Subsidiaries, setting forth the relationship among such Persons, certified by an Executive Officer of Borrower;

(i) Payment of the Amendment Fee payable to each Existing Bank;

(j) Payment of all fees payable to ABN and CIBC pursuant to the letter agreement dated as of July 25, 1996 among ABN, CIBC and Borrower;

(k) Payment of the principal amount of all Revolving Loans outstanding on the Effective Date, all unpaid accrued interest on such amount and all amounts payable pursuant to Paragraph 2.12 of the Credit Agreement; and

(l) Such other evidence as any Agent or any Bank may reasonably request to establish the accuracy and completeness of the representations and warranties and the compliance with the terms and conditions contained in this Amendment and the other Credit Documents.

On and after the Effective Date, (i) the New Banks shall be Banks under the Credit Agreement, with Revolving Loan Proportionate Shares and Term Loan Proportionate Shares as set forth in Attachment 1 hereto, (ii) ABN, Barclays and CIBC shall continue as Banks, with Revolving Loan Proportionate Shares and Term Loan Proportionate Shares as set forth in Attachment 1 hereto, (iii) the other Existing Banks (other than Chase Manhattan Bank (successor in interest to Chemical Bank, "Chase")) shall continue as Banks, with Revolving Loan Proportionate Shares and Term Loan Proportionate Shares as set forth in Attachment 1 hereto, and (iv) notwithstanding any provision to the contrary set forth in Paragraph 2.09 of the Credit Agreement, on the Effective Date the Borrower shall pay to Chase the principal amount of all Loans made by Chase, together with all other amounts owing to Chase under the Credit Agreement, and Chase shall cease to be a Bank and a co-agent under the Credit Agreement. Borrower acknowledges the survival of its indemnity obligation to Chase under Paragraph 8.03 of the Credit Agreement. (The aggregate amount of the Commitments of each Existing Bank referred to in clause (iii) of the preceding sentence shall remain unchanged as a result of this Amendment but shall be amended so as to be reallocated between the Revolving Loan Commitment and the new Term Loan Commitment.)

6. Effect of this Amendment. On and after the Effective Date, each reference in the Credit Agreement and the other Credit Documents to the Credit Agreement shall mean the Credit Agreement as amended hereby. Except as specifically amended above, (a) the Credit Agreement and the other Credit Documents shall remain in full force and effect and are hereby ratified and confirmed and (b) the execution, delivery and effectiveness of this Amendment shall not, except as expressly provided herein, operate as a waiver of any right, power, or remedy of any Bank or Agent, nor constitute a waiver of any provision of the Credit Agreement or any other Credit Document.

7. Expenses. Pursuant to Paragraph 8.02 of the Credit Agreement, Borrower shall pay to Agents all reasonable Attorney Costs and other reasonable fees and expenses payable to third parties incurred by Agents in connection with the preparation, negotiation, execution and delivery of this Amendment and the

additional Credit Documents.

8. Miscellaneous.

(a) Counterparts. This Amendment may be executed in any number of identical counterparts, any set of which signed by all the parties hereto shall be deemed to constitute a complete, executed original for all purposes.

(b) Headings. Headings in this Amendment are for convenience of reference only and are not part of the substance hereof.

(c) Governing Law. This Amendment shall be governed by and construed in accordance with the laws of the State of California without reference to conflicts of law rules.

[The next page is the first signature page.]

IN WITNESS WHEREOF, Borrower, the Banks and Agents have caused this Amendment to be executed as of the day and year first above written.

BORROWER: QUANTUM CORPORATION

By: _____
Name: _____
Title: _____

MANAGING AGENTS: ABN AMRO BANK N.V., San Francisco
International Branch,
As a Managing Agent

By ABN AMRO North America, Inc.,
its agent

By: _____
Name: _____
Title: _____

By: _____
Name: _____
Title: _____

BARCLAYS BANK PLC,
As a Managing Agent

By: _____
Name: _____
Title: _____

CIBC INC.,
As a Managing Agent

By: _____
Name: _____
Title: _____

ADMINISTRATIVE AGENT: CANADIAN IMPERIAL BANK OF COMMERCE,
As Administrative Agent

By: _____
Name: _____
Title: _____

BANKS:

ABN AMRO BANK N.V., San Francisco
International Branch,
As a Bank

By ABN AMRO North America, Inc.,
its agent

By: _____
Name: _____
Title: _____

By: _____
Name: _____
Title: _____

BARCLAYS BANK PLC,
As a Bank

By: _____
Name: _____
Title: _____

By: _____
Name: _____
Title: _____

CIBC INC.,
As a Bank

By: _____
Name: _____
Title: _____

BANK OF AMERICA NATIONAL TRUST &
SAVINGS ASSOCIATION,
As a co-agent and as a Bank

By: _____
Name: _____
Title: _____

THE FIRST NATIONAL BANK OF BOSTON,
As a co-agent and as a Bank

By: _____
Name: _____
Title: _____

THE INDUSTRIAL BANK OF JAPAN,
LIMITED,
As a co-agent and as a Bank

By: _____
Name: _____
Title: _____

THE BANK OF NOVA SCOTIA,
As a Bank

By: _____
Name: _____
Title: _____

CHASE MANHATTAN BANK (successor in
interest to Chemical Bank),
As a Bank

By: _____
Name: _____
Title: _____

FLEET NATIONAL BANK (successor in
interest to Fleet Bank of
Massachusetts, N.A. and
Shawmut Bank, N.A.),
As a Bank

By: _____
Name: _____
Title: _____

THE LONG-TERM CREDIT BANK OF
JAPAN, LTD.,
As a Bank

By: _____
Name: _____
Title: _____

THE NIPPON CREDIT BANK, LTD.,
As a Bank

By: _____
Name: _____
Title: _____

By: _____
Name: _____
Title: _____

SANWA BANK CALIFORNIA,
As a Bank

By: _____
Name: _____
Title: _____

THE SUMITOMO BANK, LIMITED,
As a Bank

By: _____
Name: _____
Title: _____

By: _____
Name: _____
Title: _____

UNION BANK OF CALIFORNIA, N.A.
(successor in interest to
Union Bank),
As a Bank

By: _____
Name: _____
Title: _____

THE FUJI BANK, LIMITED,
As a Bank

By: _____
Name: _____
Title: _____

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BANQUE PARIBAS,
As a Bank

By: _____
Name: _____
Title: _____

By: _____
Name: _____
Title: _____

THE CIT GROUP/BUSINESS
CREDIT, INC.,
As a Bank

By: _____
Name: _____
Title: _____

THE MITSUBISHI TRUST AND BANKING
CORPORATION, Los Angeles Agency
As a Bank

By: _____
Name: _____
Title: _____

SUMITOMO TRUST AND BANKING CO.,
LTD., Los Angeles Agency
As a Bank

By: _____
Name: _____
Title: _____

BANQUE NATIONALE DE PARIS,
As a Bank

By: _____
Name: _____
Title: _____

By: _____
Name: _____
Title: _____

ATTACHMENT 1

SCHEDULE I

BANKS

BANK	REVOLVING LOAN PROPORTIONATE SHARE*	TERM LOAN PROPORTIONATE SHARE*
ABN AMRO BANK N.V.	9.7000000000%	9.7000000000%

Applicable Lending Office:

ABN AMRO Bank N.V.
San Francisco International
Branch
101 California Street
Suite 4550
San Francisco, CA 94111-5812

Address for Notices:

ABN AMRO Bank N.V.
San Francisco International Branch
101 California Street, Suite 4550
San Francisco, CA 94111-5812
Attn: Robert N. Hartinger
Robin S. Yim

Telephone: (415) 984-3710
Fax: (415) 362-3524

ABN AMRO Bank, N.V.
355 Madison Avenue
New York, NY 10017
Attn: Drew Helene
Vice President, Syndications

Telephone: (212) 370-8505
Fax: (212) 503-2689 or 682-0364

Wiring Instructions:

ABN AMRO Bank N.V.
ABA No.: 026-009-580
Account No.: 651001054541
Account Name: ABN AMRO San
Francisco International Branch
Reference: Quantum Corp.

* To be expressed as a percentage rounded to the tenth digit to the right of the decimal point.

BANK	REVOLVING LOAN PROPORTIONATE SHARE*	TERM LOAN PROPORTIONATE SHARE*
BARCLAYS BANK PLC	4.3250000000%	4.3250000000%

Applicable Lending Office:

Barclays Bank PLC
75 Wall Street
New York, NY 10265

Address for Notices:

Barclays Bank PLC
388 Market Street
Suite 1700
San Francisco, CA 94111

Attention: James K. Zack
Telephone: (415) 756-4732
Fax: (415) 765-4760

Wiring Instructions:

Barclays Bank PLC
75 Wall Street
New York, NY 10265

RT/ABA No.: 026002574
Account No.: 050019104
Account Name: CLAD
Reference: Quantum Corporation

* To be expressed as a percentage rounded to the tenth digit to the right of the decimal point.

BANK	REVOLVING LOAN PROPORTIONATE SHARE*	TERM LOAN PROPORTIONATE SHARE*
CIBC INC.	9.6999999975%	9.6999999975%

Applicable Lending Office:

CIBC Inc.
Two Paces West
2727 Paces Ferry Road, Suite 1200
Atlanta, GA 30339

Address for Notices:

CIBC Inc.
425 Lexington Avenue
New York, NY 10017
Attention: Arlene Tellerman
Telephone: (212) 856-3695
Fax: (212) 856-3763 or 3799

Wiring Instructions:

Morgan Guaranty Trust Company of
New York
New York, NY 10260
ABA No.: 021-000-238
Account No.: 630-00-480
Account Name: CIBC, New York Agency

For further credit to: Agented Loans
Account No. 07-09611
Attention: Syndications
Reference: Quantum Corporation

* To be expressed as a percentage rounded to the tenth digit to the right of the decimal point.

BANK	REVOLVING LOAN PROPORTIONATE SHARE*	TERM LOAN PROPORTIONATE SHARE*
BANK OF AMERICA NATIONAL TRUST AND SAVINGS ASSOCIATION	8.6112670058%	8.6112670058%

Applicable Lending Office:

Bank of America National Trust
and Savings Association
1850 Gateway Boulevard, Fourth Floor
Concord, CA 94520

Attention: Georg Korolkov

Telephone: (510) 675-7335
Fax: (510) 675-7531

Address for Notices:

Bank of America National Trust
and Savings Association
Credit Products-High Technology-SF #3697
555 California Street, 41st Floor
San Francisco, CA 94104
Attention: Kevin McMahon

Telephone: (415) 622-8088
Fax: (415) 622-2514

Wiring Instructions:

Bank of America National Trust
and Savings Association
ABA No.: 121000358
Account No.: 1233183980
Reference: Quantum Corp.

* To be expressed as a percentage rounded to the tenth digit to the right of the decimal point.

	REVOLVING LOAN PROPORTIONATE SHARE*	TERM LOAN PROPORTIONATE SHARE*
BANK		
THE FIRST NATIONAL BANK OF BOSTON	6.2178571425%	6.2178571425%

Applicable Lending Office:

The First National Bank of Boston
435 Tasso Street, Suite 250
Palo Alto, CA 94301

Address for Notices:

435 Tasso Street, Suite 250
Palo Alto, CA 94301

Wiring Instructions:

The First National Bank of Boston
100 Federal Street
Boston, MA 02110
ABA No.: 011-000-390
Attn: HT Svcs. Adm. 50
Ref: Quantum Corporation
Account No.: 540-99647

* To be expressed as a percentage rounded to the tenth digit to the right of the decimal point.

	REVOLVING LOAN PROPORTIONATE SHARE*	TERM LOAN PROPORTIONATE SHARE*
BANK		
THE INDUSTRIAL BANK OF JAPAN, LIMITED	6.2178571425%	6.2178571425%

Applicable Lending Office:

The Industrial Bank of Japan, Limited
San Francisco Agency

555 California Street, Suite 3110
San Francisco, CA 94104

Address for Notices:

The Industrial Bank of Japan, Limited
San Francisco Agency
555 California Street, Suite 3110
San Francisco, CA 94104
Attention: Jeanette O'Donnell

Telephone: (415) 693-1831
Fax: (415) 982-1917
Telex: 49608738
Answerback: IBJ SFO

Wiring Instructions:

Bank of American NT & SA
International Deposit Services 6561
1850 Gateway Boulevard
Concord, CA 94520
ABA No.: 121-000-358
Account: The Industrial Bank of Japan, Limited
Los Angeles Agency
Account No.: 62906-14014
"For Credit to IBJ SFA, A/C 2601-22011"

* To be expressed as a percentage rounded to the tenth digit to the right of the decimal point.

BANK	REVOLVING LOAN PROPORTIONATE SHARE*	TERM LOAN PROPORTIONATE SHARE*
THE BANK OF NOVA SCOTIA	6.4063592933%	6.4063592933%

Applicable Lending Office:

The Bank of Nova Scotia
580 California Street, Suite 2100
San Francisco, CA 94104
Attention: Mr. Chris Johnson

Telephone: (415) 986-1100
Fax: (415) 397-0791

Address for Notices:

The Bank of Nova Scotia
600 Peachtree Street, N.E., Suite 2700
Atlanta, GA 30308
Attention: Eudia Smith

Telephone: (404) 877-1500
Fax: (404) 888-8998

Wiring Instructions:

The Bank of Nova Scotia
One Liberty Plaza
New York, NY
ABA No.: 026002532
Account No.: 60023-7
For Credit to: The Bank of Nova Scotia
San Francisco Agency
Reference: Quantum Corporation

* To be expressed as a percentage rounded to the tenth digit to the right of the decimal point.

REVOLVING LOAN	TERM LOAN
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BANK	PROPORTIONATE SHARE*	PROPORTIONATE SHARE*
FLEET NATIONAL BANK OF MASSACHUSETTS	5.8258928600%	5.8258928600%

Applicable Lending Office:

Fleet National Bank of Massachusetts
75 State Street
Boston, MA 02109

Address for Notices:

Fleet National Bank of Massachusetts
Mail Stop: MABOF04M
75 State Street
Boston, MA 02109
Attention: Olaperi Onipede
Vice President

Telephone: (617) 346-1652
Fax: (617) 346-1633

Wiring Instructions:

Fleet National Bank
75 State Street
Boston, MA 02109
ABA: 011-000-138
Account Name: Incoming Loan in Process Wire Account
A/C No.: 1510351
Reference: Quantum Corp.
Attention: Commercial Loan Operations/Agent Bank

* To be expressed as a percentage rounded to the tenth digit to the right of the decimal point.

BANK	REVOLVING LOAN PROPORTIONATE SHARE*	TERM LOAN PROPORTIONATE SHARE*
THE LONG-TERM CREDIT BANK OF JAPAN, LTD.	4.0129464300%	4.0129464300%

Applicable Lending Office:

The Long-Term Credit Bank of Japan, Ltd.
350 South Grand Avenue, Suite 3000
Los Angeles, CA 90071
Attention: Mr. Ukai

Telephone: (213) 689-6345
Fax: (213) 622-6908

Address for Notices:

The Long-Term Credit Bank of Japan, Ltd.
444 S. Flower Street, Suite 3700
Los Angeles, CA 90071-2938
Attention: Claude Graham

Telephone: (213) 689-6235
Fax: (213) 626-1067
Telex: 6736533
Answerback: LTCB LA

Wiring Instructions:

Crediting Bank: Bank of America, San Francisco
ABA#: 121000358
For the Account of: The Long-Term Credit Bank of Japan, Ltd.,
Los Angeles Agency
Account No.: 6290131191
Reference: Quantum

* To be expressed as a percentage rounded to the tenth digit to the right of the decimal point.

BANK	REVOLVING LOAN PROPORTIONATE SHARE*	TERM LOAN PROPORTIONATE SHARE*
THE NIPPON CREDIT BANK, LTD.	5.1129464300%	5.1129464300%

Applicable Lending Office:

The Nippon Credit Bank, Ltd.
Los Angeles Agency
550 S. Hope Street, Suite 2500
Los Angeles, CA 90071

Address for Notices:

The Nippon Credit Bank, Ltd.
550 S. Hope Street, Suite 2500
Los Angeles, CA 90071
Attention: Gina Wang

Telephone: (213) 243-5721
Fax: (213) 892-0111

Wiring Instructions:

Bank of America, San Francisco
San Francisco, CA
Fed ABA No.: 1210-0035-8
For Credit to: The Nippon Credit Bank, Ltd, Los Angeles Agency
Account No.: 62908-31126
Attention: Loan Admin.
Reference: Quantum Corporation

* To be expressed as a percentage rounded to the tenth digit to the right of the decimal point.

BANK	REVOLVING LOAN PROPORTIONATE SHARE*	TERM LOAN PROPORTIONATE SHARE*
SANWA BANK CALIFORNIA	4.0129464300%	4.0129464300%

Applicable Lending Office:

Sanwa Bank California
San Jose Commercial Banking Center
220 Almaden Boulevard
San Jose, CA 95113

Address for Notices:

Sanwa Bank California
San Jose Commercial Banking Center
220 Almaden Boulevard
San Jose, CA 95113
Attention: Robert R. Schutt
James E. Rosewater

Telephone: (408) 297-6500
Fax: (408) 292-4092

Wiring Instructions:

Sanwa Bank California
ABA No.: 122003516
Account Name: San Jose CBC
Account No.: 1128-19005
Reference: Quantum Corporation

* To be expressed as a percentage rounded to the tenth digit to the right of the decimal point.

BANK	REVOLVING LOAN PROPORTIONATE SHARE*	TERM LOAN PROPORTIONATE SHARE*
THE SUMITOMO BANK, LIMITED	2.5000000000%	2.5000000000%

Applicable Lending Office:

The Sumitomo Bank, Limited
San Francisco Branch
555 California Street, Suite 3350
San Francisco, CA 94104

Address for Notices:

The Sumitomo Bank, Limited
San Francisco Branch
555 California Street, Suite 3350
San Francisco, CA 94104
Attention: Herman White
Pauline Tsang, Corporate Banking Officer

Telephone: (415) 616-3009/3003
Fax: (415) 397-1475

Wiring Instructions:

The Sumitomo Bank of California
Attention: Pauline Tsang
ABA No.: 121 002 042
Account Name: The Sumitomo Bank, Ltd., San Francisco Branch
Reference: Quantum Corporation

* To be expressed as a percentage rounded to the tenth digit to the right of the decimal point.

BANK	REVOLVING LOAN PROPORTIONATE SHARE*	TERM LOAN PROPORTIONATE SHARE*
UNION BANK OF CALIFORNIA, N.A.	2.9129464300%	2.9129464300%

Applicable Lending Office:

Union Bank of California, N.A.
350 California Street (H-1040)
San Francisco, CA 94104
Attention: Wade Schlueter
Vice President

Telephone: (415) 705-7022
Fax: (415) 705-7127
Telex: 188316 UNION SFO UT
Answerback: UNION SFO UT

Address for Notices:

350 California Street (H-1040)
San Francisco, CA 94104
Attention: Wade Schlueter
Vice President

Telephone: (415) 705-7022
Fax: (415) 705-7127

Wiring Instructions:

Union Bank, Los Angeles,
Los Angeles, CA
Fed ABA No.: 1220-0049-6

Account No.: 070196421
Attention: #192 Note Center
Reference: Quantum Corporation

* To be expressed as a percentage rounded to the tenth digit to the right of the decimal point.

BANK	REVOLVING LOAN PROPORTIONATE SHARE*	TERM LOAN PROPORTIONATE SHARE*
THE FUJI BANK, LIMITE	4.1000000000%	4.1000000000%

Applicable Lending Office:

The Fuji Bank, Ltd.
601 California Street
San Francisco, CA 94108
Attention: Mike Rogers, Vice President

Telephone: (415) 296-5440
Fax: (415) 362-4613
Telex: 176087
Answerback: FUJIBK SFO

Address for Notices:
601 California Street
San Francisco, CA 94108
Attention: Mike Rogers, Vice President

Telephone: (415) 362-4740
Fax: (415) 362-4613

Wiring Instructions:

Bank of America, NT&SA
San Francisco, CA
ABA #: 1210-0035-8
Account #: 62 901-08242
Ref: Quantum R/C

* To be expressed as a percentage rounded to the tenth digit to the right of the decimal point.

BANK	REVOLVING LOAN PROPORTIONATE SHARE*	TERM LOAN PROPORTIONATE SHARE*
BANQUE PARIBAS	3.5901147950%	3.5901147950%

Applicable Lending Office:

Banque Paribas
101 California Street, Suite 3150
San Francisco, CA 94111
Attention: Nanci Meyer

Telephone: (415) 398-6811
Fax: (415) 398-4240

Address for Notices:
2029 Century Park East
Suite 3900
Los Angeles, CA 90067
Attention: Shirley Williams

Telephone: (310) 551-7360
Fax: (310) 553-1504

Wiring Instructions:

Bank of America, San Francisco, CA

For Credit to Banque Paribas, Los Angeles Agency
ABA #: 1210-0035-8
Account No.: 62902-10150
Ref: Quantum Corp.

* To be expressed as a percentage rounded to the tenth digit to the right of the decimal point.

BANK	REVOLVING LOAN PROPORTIONATE SHARE*	TERM LOAN PROPORTIONATE SHARE*
THE CIT GROUP/BUSINESS CREDIT, INC.	5.9835246583%	5.9835246583%

Applicable Lending Office:

The CIT Group/Business Credit, Inc.
300 South Grand Avenue, 3rd Floor
Los Angeles, CA 90071
Attention: Alan Grosshans

Telephone: (213) 613-2581
Fax: (213) 613-2588

Address for Notices:
300 South Grand Avenue, 3rd Floor
Los Angeles, CA 90071
Attention: Alan Grosshans

Telephone: (213) 613-2581
Fax: (213) 613-2588

Wiring Instructions:

The Chase Manhattan Bank, New York, NY
ABA #: 021000021
Account No.: 144054227
Account Name: The CIT Group/Business Credit
Ref: Quantum Corporation

* To be expressed as a percentage rounded to the tenth digit to the right of the decimal point.

BANK	REVOLVING LOAN PROPORTIONATE SHARE*	TERM LOAN PROPORTIONATE SHARE*
BANQUE NATIONALE DE PARIS	3.5901147950%	3.5901147950%

Applicable Lending Office:

Banque Nationale de Paris
180 Montgomery Street
San Francisco, California 94104
Attention: Rafael C. Lumanlan

Telephone: (415) 956-0707
Fax: (415) 296-8954

Address for Notices:
180 Montgomery Street
San Francisco, California 94104
Attention: Rafael C. Lumanlan

Telephone: (415) 956-0707
Fax: (415) 296-8954

Wiring Instructions:

Federal Reserve Bank of San Francisco

Banque Nationale de Paris, San Francisco Branch
ABA No.: 121027234
For the account of BANQUE NATIONALE DE PARIS
SAN FRANCISCO BRANCH
Re: Quantum Corporation

* To be expressed as a percentage rounded to the tenth digit to the right of the decimal point.

BANK	REVOLVING LOAN PROPORTIONATE SHARE*	TERM LOAN PROPORTIONATE SHARE*
THE MITSUBISHI TRUST AND BANKING CORPORATION	3.5901147950%	3.5901147950%

Applicable Lending Office:

The Mitsubishi Trust and Banking Corporation
801 South Figueroa Street, Suite 500
Los Angeles, CA 90017
Attention: Jill Kato

Telephone: (213) 896-4655
Fax: (213) 687-4631
Telex: 49657290
Answerback: MTB B LSA

Address for Notices:
801 South Figueroa Street, Suite 500
Los Angeles, CA 90017
Attention: Yvonne Yoon, Loan Administration

Telephone: (213) 896-4737
Fax: (213) 629-2571

Wiring Instructions:

Bank of America, NT&SA
ABA #: 121 000 358
Account No.: 62908-04915
Ref: Quantum Corp.

* To be expressed as a percentage rounded to the tenth digit to the right of the decimal point.

BANK	REVOLVING LOAN PROPORTIONATE SHARE*	TERM LOAN PROPORTIONATE SHARE*
THE SUMITOMO TRUST & BANKING CO., LTD., LOS ANGELES AGENCY	3.5901147950%	3.5901147950%

Applicable Lending Office:

The Sumitomo Trust & Banking Co., Ltd.,
Los Angeles Agency
333 South Grand Avenue, Suite 5300
Los Angeles, CA 90071
Attention: Credit Administration Dept.
Copy to Ninoos Benjamin

Telephone: (213) 629-3191
Fax: (213) 628-2719

Address for Notices:
333 South Grand Avenue, Suite 5300
Los Angeles, CA 90071
Attention: Credit Administration Dept.
Copy to Ninoos Benjamin

Telephone: (213) 629-3191
Fax: (213) 628-2719

Wiring Instructions:

Bank of America, NT&SA, San Francisco, CA
ABA No.: 121000358
For the account of The Sumitomo Trust & Banking Co., Ltd.,
Los Angeles Agency
Account No.: 62907-31117
Reference: Quantum Corporation

* To be expressed as a percentage rounded to the tenth digit to the right of the decimal point.

QUANTUM PERIPHERALS REALTY CORPORATION
(Mortgagor)

to

CS FIRST BOSTON MORTGAGE CAPITAL CORP.
(Mortgagee)

MORTGAGE AND SECURITY AGREEMENT

Dated: As of September 10, 1996

RECORD AND RETURN TO:

Brown & Wood LLP
One World Trade Center
57th Floor
New York, New York 10048
Attention: David J. Weinberger, Esq.

THIS MORTGAGE AND SECURITY AGREEMENT (hereinafter referred to as "Mortgage") made as of the 10 th day of September, 1996, by QUANTUM PERIPHERALS REALTY CORPORATION, a Delaware corporation having an address at 500 McCarthy Boulevard, Milpitas, California 95035 (hereinafter referred to as "Mortgagor"), to CS FIRST BOSTON MORTGAGE CAPITAL CORPORATION, a Delaware corporation, having its principal place of business at 55 East 52nd Street, New York, New York 10055 (hereinafter referred to as "Mortgagee").

W I T N E S E T H:

To secure the payment of an indebtedness in the principal sum of TWENTY SIX MILLION THREE HUNDRED FIFTEEN THOUSAND SEVEN HUNDRED EIGHTY NINE AND FORTY SEVEN/100 DOLLARS (\$26,315,789.47) in lawful money of the United States of America, to be paid with interest according to a certain note dated the date hereof made by Mortgagor to Mortgagee (the note together with all extensions, renewals or modifications thereof being hereinafter collectively called the "Note") (said indebtedness, interest and all other sums which may or shall become due hereunder and under the Note being hereinafter collectively referred to as the "Debt") and the performance and observance of and compliance with each and every obligation, covenant, warranty, agreement, term, provision and condition conferred in this Mortgage, Mortgagor has mortgaged, given, granted, bargained, sold, aliened, enfeoffed, conveyed, confirmed, pledged, hypothecated and assigned, and by these presents does hereby mortgage, give, grant, bargain, sell, alien, enfeoff, convey, confirm, pledge, hypothecate and assign unto Mortgagee with Mortgage Covenants all right, title and interest of Mortgagor now owned, or hereafter acquired, in and to all of the following property rights, interests and estates (collectively the "Mortgaged Property"):

(a) the plots, pieces or parcels of property described in Exhibit A attached hereto and made a part hereof (the "Premises");

(b) (i) all buildings, structures, fixtures, addi-

tions, enlargements, extensions, modifications, repairs, replacements and improvements now or hereafter located on the Premises (the "Improvements");

(c) all easements, rights-of-way, strips and gores of land, streets, ways, alleys, passages, sewer rights, water, water courses, water rights and powers, air rights and development rights, and all estates, rights, titles, interests, privileges, liberties, tenements, hereditaments and appurtenances of any nature whatsoever, in any way

belonging, relating or pertaining to the Premises or the Improvements and the reversion and reversions, remainder and remainders, and all land lying in the bed of any street, road or avenue, opened or proposed, in front of or adjoining the Premises to the center line thereof and all the estates, rights, titles, interests, dower and rights of dower, curtesy and rights of curtesy, property, possession, claim and demand whatsoever, both at law and in equity, of Mortgagor of, in and to the Premises and the Improvements and every part and parcel thereof, with the appurtenances thereto;

(d) all machinery, equipment, fixtures (including but not limited to all heating, air conditioning, plumbing, lighting, communications and elevator fixtures), and articles of personal property and accessions thereof and renewals, replacements thereof and substitutions therefor and other property of every kind and nature, whatsoever owned by Mortgagor, or in which Mortgagor has or shall have an interest, now or hereafter located upon the Premises or the Improvements, or appurtenant thereto, and usable in connection with the present or future operation and occupancy of the Premises or the Improvements and all building equipment, materials and supplies of any nature whatsoever owned by Mortgagor, or in which Mortgagor has or shall have an interest, now or hereafter located upon the Premises or the Improvements, or appurtenances thereto, or used in connection with the present or future operation of the Premises or the Improvements but excluding machinery, equipment and other personal property owned by and used by the Prime Tenant (hereinafter defined) and any assignee or sublessee thereof in the conduct of its business therein (the "Equipment");

(e) all awards or payments, including interest thereon, which may heretofore and hereafter be made with respect to the Premises, the Improvements or the Equipment, to the extent actually received by Mortgagor, on account of the exercise of the right of eminent domain or condemnation (including but not limited to any transfer of the Mortgaged Property or part thereof made in lieu of or in anticipation of the exercise of said rights), or for a change of grade, or for any other injury to or decrease in the value of the Premises, the Improvements or the Equipment resulting therefrom;

(f) all leases including, without limitation, the Prime Lease (hereinafter defined) and all guarantees thereof and other agreements affecting the use, enjoyment or occupancy of the Premises, the Improvements or the Equipment

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now or hereafter entered into (the "Leases") and all income, rents, profits and revenues (including, without limitation, all oil and gas or other mineral royalties and bonuses) from the Premises, the Improvements or the Equipment (the "Rents") and all proceeds from the sale or other disposition of the Leases and the right to receive and apply the Rents to the payment of the Debt;

(g) all proceeds of and any unearned premiums on any insurance policies covering the Premises, the Improvements or the Equipment, including, without limitation, the right to receive and apply the proceeds of any insurance, judgments, or settlements made in lieu thereof, for damage to the Premises, the Improvements or the Equipment;

(h) all right, title and interest of every nature of the

Mortgagor in all monies deposited or to be deposited in any funds or account maintained or deposited with Mortgagee, or its assigns, in connection herewith;

(i) all accounts receivable, contract rights, franchises, interests, estate or other claims, both at law and in equity, relating to the Premises, the Improvements or the Equipment;

(j) all claims against any person or entity with respect to any damage to the Premises, the Improvements, or Equipment including, without limitation, damage arising from any defect in or with respect to the design or construction of the Improvements, or the Equipment and any damage resulting therefrom;

(k) all deposits or other security or advance payments, including rental payments made by or on behalf of the Mortgagor to others, with respect to (i) insurance policies, (ii) utility services, (iii) cleaning, maintenance, repair or similar services, (iv) refuse removal or sewer service, (v) parking or similar services or rights and (vi) rental of Equipment, if any, relating to or otherwise used in the operation of the Premises, Improvements, or Equipment;

(l) all advertising material, guaranties, warranties, building permits, other permits, licenses, plans and specifications, shop and working drawings, soil tests, appraisals and other documents, materials and/or personal property of any kind now or hereafter existing in or relating to the Premises, Improvements, and Equipment;

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(m) all drawings, designs, plans and specifications prepared by the architects, engineers, interior designers, landscape designers and any other consultants or professionals for the design, development, construction, repair and/or improvement of the Premises or the Improvements, as amended from time to time; and

(n) all proceeds of each of the foregoing.

TO HAVE AND TO HOLD the above granted and described Mortgaged Property unto and for the proper use and benefit of Mortgagee and Mortgagee's successors, substitutes and assigns, forever.

PROVIDED, ALWAYS that these presents are upon this express condition, if Mortgagor shall well and truly pay to Mortgagee the Debt at the time and in the manner provided in the Note and this Mortgage and shall well and truly abide by and comply with each and every covenant and condition set forth herein and in the Note in a timely manner, then these presents and the estate hereby granted shall cease, terminate and be void.

AND Mortgagor covenants with and warrants to Mortgagee that:

1. Payment of Debt and Incorporation of Covenants, Conditions and Agreements. Mortgagor will pay, or will cause to be paid, the Debt at the time and in the manner provided in the Note and in this Mortgage. All the covenants, conditions and agreements contained in (a) the Note and (b) all and any of the documents other than the Note or this Mortgage now or hereafter executed by Mortgagor and/or others and by or in favor of Mortgagee, which wholly or partially evidence, secure or guaranty payment of the Note or which are otherwise executed and/or delivered in connection with the Note and this Mortgage (the "Other Security Documents"), are hereby made a part of this Mortgage to the same extent and with the same force as if fully set forth herein.

2. Warranty of Title. Mortgagor warrants that Mortgagor has good and indefeasible title to the Mortgaged Property and that Mortgagor (and the undersigned representative of Mortgagor) has the right to mortgage, give, grant, bargain, sell, alien, enfeoff, convey, confirm, pledge, assign and hypothecate the same pursuant to the terms hereof and to keep and perform all of the terms of this Mortgage on Mortgagor's part to be performed and that Mortgagor possesses an unencumbered fee estate in the Premises and the Improvements and that it owns the Mortgaged Property free and clear of all liens, encumbrances and charges whatsoever except for the Prime Lease and those exceptions shown in the title insurance policy insuring the lien of this Mortgage

(the "Permitted Encumbrances"). Mortgagor shall forever warrant, defend and preserve such title and the validity and priority of the lien of this Mortgage and shall forever warrant and defend the same to Mortgagee against the claims of all persons whomsoever.

3. Insurance. (a) Subject to the provisions of paragraph 3(g) hereof, Mortgagor will, or will cause Prime Tenant (hereinafter defined) to, at its sole cost and expense, maintain insurance of the following types:

(i) Insurance against loss or damage by fire, casualty and other hazards included in an "all-risk" extended coverage endorsement, including, but not limited to, riot and civil commotion, malicious mischief, vandalism, windstorm or earthquake, with such additional endorsements as the Mortgagee may from time to time reasonably require and which are customarily required by institutional Mortgagees of similar properties similarly situated, covering the Improvements and Equipment ("Insured Property") in an amount not less than the greater of (i) 100% of the insurable replacement value of the Insured Property (exclusive of the Premises' footings and foundations) and (ii) such other amount as is necessary to prevent any reduction in such policy by reason of and to prevent Mortgagor, Mortgagee or any other insured thereunder from being deemed to be a co-insurer;

(ii) Commercial comprehensive general liability insurance against claims for personal and bodily injury and/or death to one or more persons or property damage, occurring on, in or about the Mortgaged Property (including the adjoining streets, sidewalks and passageways therein) in an amount not less than \$10,000,000;

(iii) Business interruption insurance with loss payable to Mortgagee in an amount not less than 100% of the actual fixed or base rent plus percentage rent and all expenses of the Mortgaged Property which the Prime Tenant shall be obligated to pay or reimburse under the Prime Lease for the succeeding twelve (12) month period with respect to the Mortgaged Property;

(iv) Insurance against loss or damages from (i) leakage of sprinkler systems and (ii) explosion of steam boilers, air conditioning equipment, pressure vessels or similar apparatus now or thereafter installed at the Premises, in such amounts as the Mortgagee may from time to time reasonably require and which are then customarily required

by institutional lenders of similar properties similarly situated;

(v) Flood insurance in an amount equal to the full insurable value of the Insured Property if it is located in an area designated by the Secretary of Housing and Urban Development as being "an area of special flood hazard" under the National Flood Insurance Program (i.e., having a one percent or greater chance of flooding), and if flood insurance is available under the National Flood Insurance Act;

(vi) Worker's compensation insurance or other similar insurance which may be required by law;

(vii) During the period when any addition, alteration, construction, installation or demolition is being made to any part of the Improvements, contingent liability, public liability, completed value builder's risk (non-reporting form), worker's compensation and other insurance as is customarily maintained in respect of property similar to the Mortgaged Property under similar circumstances; and

(viii) Such other insurance as may from time to time be required by Mortgagee and which is then customarily required by institutional lenders of similar properties similarly situated.

Mortgagor shall pay the premiums or cause Prime Tenant to pay the premiums (the "Insurance Premiums") for such insurance as same become due and payable except

for the insurance premiums related to the Prime Lease Casualty Insurance, which Mortgagor shall pay on or before the date hereof. All policies of insurance (the "Policies") shall be issued by an insurer authorized to do business in the state where the Premises are located and acceptable to Mortgagee and having a "claims paying ability" of "A" from at least two nationally recognized statistical organizations (each, a "Rating Agency"). Mortgagor will assign and deliver the Policies to Mortgagee. No policy shall have a deductible in excess of \$150,000. Not later than thirty (30) days prior to the expiration date of each of the Policies, Mortgagor will deliver to Mortgagee satisfactory evidence of the renewal of each of the Policies. If at any time Mortgagee is not in receipt of written evidence that all insurance required hereunder is in full force and effect, Mortgagee shall have the right without notice to Mortgagor to take such action as Mortgagee deems necessary to protect its interest in the Mortgaged Property, including without limitation the obtaining of such insurance coverage as Mortgagee in its sole discretion deems appropriate, and all expenses incurred by Mortgagee in connection with such action or in

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obtaining such insurance and keeping it in effect shall be paid by Mortgagor to Mortgagee upon demand. If Mortgagee shall receive and retain such insurance money, the lien of this Mortgage shall be reduced only by the amount thereof received after expenses of collection and retained by Mortgagee and actually applied by Mortgagee in reduction of the Debt.

(b) All of the Policies shall (i) contain a standard noncontributory form of mortgagee clause (in favor of the Mortgagee and entitling the Mortgagee to collect any and all proceeds payable under such insurance), as well as a standard waiver of subrogation endorsement, and in the case of such liability policy, name the Mortgagee as an additional insured, all to be in form and substance satisfactory to the Mortgagee; (ii) provide that such policies may not be cancelled or amended to diminish the coverage thereunder without at least thirty (30) days prior written notice to the Mortgagee; and (iii) provide that no act, omission or negligence of the Mortgagor, or its agents, servants or employees, or of any tenant under any Lease, which might otherwise result in a forfeiture of such insurance or any part thereof, shall in any way affect the validity or enforceability of such insurance insofar as the Mortgagee is concerned. Mortgagor shall not carry separate insurance, concurrent in kind or form or contributing in the event of loss, with any insurance required under this paragraph 3.

(c) If the Insured Property shall be damaged or destroyed, in whole or in part, by fire or other casualty, Mortgagor shall give prompt written notice thereof to Mortgagee. If Mortgagee determines that less than seventy-five percent (75%) of the reasonably estimated aggregate insurable value of the Insured Property is damaged or destroyed, the net amount of all insurance proceeds received by Mortgagee with respect to such damage or destruction after deduction of the reasonable costs and expenses incurred by Mortgagee in collecting the same (the "Net Proceeds") shall be disbursed by Mortgagee in accordance with the terms and conditions set forth herein to pay for the costs and expenses of the Restoration (hereinafter defined) provided (i) no Event of Default has occurred and remains uncured under this Mortgage, the Note or any of the Other Security Documents, (ii) Mortgagor proceeds promptly with the restoration, replacement, rebuilding or repair of the Insured Property as nearly as possible to the condition and size the Insured Property was in immediately prior to such fire or other casualty (the "Restoration"), (iii) the Restoration shall be done in compliance with all applicable laws, rules and regulations, (iv) a set of the plans and specifications in connection with the Restoration shall be submitted to Mortgagee and shall be satisfactory to Mortgagee in all material respects, (v) all costs and expenses incurred by Mortgagee in connection with making the Net Proceeds available for the

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Restoration of the Insured Property including, without limitation, counsel fees and inspecting engineer fees incurred by Mortgagee, shall be paid by Mortgagor, and (vi) no Leases are terminated as a result of such fire or other casualty and the Prime Tenant continues to pay rent, additional rent and all other amounts under the Prime Lease unabated and uninterrupted. Notwithstanding the foregoing, if, upon the occurrence of a casualty, the cost of Restoration is \$200,000 or less, Lessee shall be entitled to receive the Net Proceeds from the insurer and

apply the same to Restoration subject to the conditions of clauses (i), (ii), (iii) and (vi) of the preceding sentence. If Mortgagee determines that more than seventy-five percent (75%) of the reasonably estimated aggregate insurable value of the Insured Property is damaged or destroyed, or if such damage or destruction is the result of a Prime Lease Casualty, Mortgagee shall have the option, in its sole discretion, to apply the Net Proceeds to the payment of the Debt or to allow such Net Proceeds to be applied towards the Restoration in accordance with the terms hereof.

(d) Except as otherwise provided in (c) above, the Net Proceeds shall be held in trust by Mortgagee without interest thereon and, if the Net Proceeds are to be applied towards the Restoration, shall be paid by Mortgagee to, or as directed by, Mortgagor from time to time during the course of the Restoration, upon receipt of evidence, satisfactory to Mortgagee, that (i) all materials installed and work and labor performed (except to the extent they are to be paid for out of the requested payment) in connection with the Restoration have been paid in full (ii) no notices of intention, mechanics' or other liens or encumbrances on the Mortgaged Property arising out of the Restoration exist, and (iii) the balance of the Net Proceeds plus the balance of any deficiency deposits given by Mortgagor to Mortgagee pursuant to the provisions of this paragraph shall be sufficient to pay in full the balance of the cost of the Restoration. If at any time the Net Proceeds, or the undisbursed balance thereof, shall not, in the reasonable opinion of Mortgagee, be sufficient to pay in full the balance of the cost of the Restoration, Mortgagor shall deposit the deficiency with Mortgagee before any further disbursement of the Net Proceeds shall be made.

(e) The excess, if any, of the Net Proceeds after payment to Mortgagor as provided herein shall be applied by Mortgagee in reduction of the Debt in such priority and proportions as Mortgagee in its sole discretion shall deem proper. Notwithstanding anything to the contrary contained herein, if the Net Proceeds shall be less than \$50,000.00, then only one disbursement shall be made, which disbursement shall be made upon the completion of the Restoration to the satisfaction of Mortgagee.

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(f) Any amount of the Net Proceeds received by Mortgagee and not required or permitted by Mortgagee, in its sole discretion, to be disbursed for the Restoration pursuant to the provisions of this paragraph may, in Mortgagee's discretion, be either (i) retained and applied by Mortgagee toward the payment of the Debt whether or not then due and payable in such priority and proportions as Mortgagee in its discretion shall deem proper, or (ii) paid in whole or in part to Mortgagor for such purposes as Mortgagee shall designate. If Mortgagee shall receive and retain such insurance proceeds, the lien of this Mortgage shall be reduced only by the amount thereof received and retained by Mortgagee and actually applied by Mortgagee in reduction of the Debt.

(g) Notwithstanding anything contained in this paragraph 3 to the contrary, so long as (i) the party set forth as tenant ("Prime Tenant") under that certain lease of the Premises more particularly described in Exhibit B hereto (the "Prime Lease") is the sole tenant of the entire Premises pursuant to the Prime Lease, (ii) the Prime Lease is in full force and effect, and (iii) no default or event which with the passing of time or the giving of notice would become a default has occurred under the Prime Lease, then upon the occurrence of a fire or other casualty to the Insured Property, the provisions of Article XV of the Prime Lease shall control.

4. Payment of Impositions, etc. Mortgagor shall pay, or shall cause Prime Tenant to pay, all taxes, assessments, water rates and sewer rents, now or hereafter levied or assessed or imposed against the Mortgaged Property or any part thereof and all ground rents, maintenance charges and, other governmental impositions, other charges, including without limitation vault charges and license fees for the use of vaults, chutes and similar areas adjoining the Premises, now or hereafter levied or assessed or imposed against the Mortgaged Property or any part thereof (collectively, the "Impositions") as same become due and payable. Mortgagor will deliver to Mortgagee, upon request, evidence reasonably satisfactory to Mortgagee that the Impositions and all other charges, fees and impositions are not delinquent. Mortgagor shall not suffer and shall promptly cause to be paid and discharged, any lien or charge whatsoever which may be or become a lien or charge against the Mortgaged Property, and shall promptly pay for, or cause to be paid, all utility services provided to the Mortgaged Property. Upon the request of Mortgagee, Mortgagor shall furnish to Mortgagee reasonable evidence of the payment of the Impositions prior to the date that such Impositions would become delinquent and receipts for the payment of the Impositions prior to the date the same shall become delinquent or as soon thereafter as available. After prior written notice to Mortgagee, Mortgagor, at

its own expense,

may contest by appropriate legal proceeding, promptly initiated and conducted in good faith and with due diligence, the amount or validity or application in whole or in part of any of the Impositions, provided that (i) Mortgagor is not in default under the Note or this Mortgage, (ii) such proceedings shall suspend the collection of the Impositions from Mortgagor and from the Mortgaged Property, (iii) such proceeding shall be permitted under and be conducted in accordance with the provisions of any other instrument to which Mortgagor is subject and shall not constitute a default thereunder, (iv) neither the Mortgaged Property nor any part thereof or interest therein will be in danger of being sold, forfeited, terminated, cancelled or lost, (v) Mortgagor shall have set aside adequate reserves for the payment of the Impositions, together with all interest and penalties thereon, and (vi) Mortgagor shall have furnished such security as may be required in the proceeding, or as may be requested by Mortgagee to insure the payment of any such Impositions, together with all interest and penalties thereon; provided, however, so long as (a) the Prime Tenant is the sole tenant of the entire Premises pursuant to the Prime Lease, (b) the Prime Lease is in full force and effect and (c) no default beyond applicable notice and grace period, has occurred under the Prime Lease, the Prime Tenant may contest any Imposition in accordance with the terms of the Prime Lease and the provisions of clauses (i) through (vi) of this paragraph 4.

5. Escrow Fund. Mortgagor shall, or shall cause Prime Tenant to, pay to Mortgagee on the first day of each calendar month (a) one-twelfth of an amount which would be sufficient to pay the Impositions payable, or estimated by Mortgagee to be payable, during the next ensuing twelve (12) months and (b) one-twelfth of an amount which would be sufficient to pay the Insurance Premiums due for the renewal of the coverage afforded by the Policies upon the expiration thereof (said amounts in (a) and (b) above hereinafter called the "Escrow Fund"). The Escrow Fund and the payments of interest or principal or both, payable pursuant to the Note shall be added together and shall be paid as an aggregate sum by Mortgagor to Mortgagee. Mortgagor hereby pledges to Mortgagee any and all monies now or hereafter deposited in the Escrow Fund as additional security for the payment of the Debt. Upon receipt of evidence, satisfactory to Mortgagee, that proves that the Impositions and Insurance Premiums and any other items for which sums have been deposited by Mortgagor into the Escrow Fund have been paid in full, and provided that no Event of Default (hereinafter defined) has occurred hereunder, Mortgagee shall, on each January 1 after the date hereof credit any excess funds in the Escrow Fund against future payments to be made to the Escrow Fund. In allocating such excess, Mortgagee may deal with the person shown on the records of Mortgagee to be the owner of the Mortgaged Property.

If the Escrow Fund is not sufficient to pay the items set forth in (a) and (b) above, Mortgagor shall promptly pay to Mortgagee, upon demand, an amount which Mortgagee shall estimate as sufficient to make up the deficiency. Upon the occurrence of an Event of Default, Mortgagee may apply any sums then present in the Escrow Fund to the payment of the following items in any order in its uncontrolled discretion:

- (i) Impositions and other charges;
- (ii) Insurance Premiums;
- (iii) interest on the unpaid principal balance of the Note;
- (iv) amortization of the unpaid principal balance of the Note;
- (v) maintenance of the Mortgaged Property; and
- (vi) all other sums payable pursuant to the Note, this Mortgage and the Other Security Documents, including without limitation advances made by Mortgagee pursuant to the terms of this Mortgage.

Until expended or applied as above provided, any amounts in the Escrow Fund shall constitute additional security for the Debt. In accepting the Escrow Fund, Mortgagee is not consenting to act as Mortgagor's agent for the payment of Impositions or Insurance Premiums and the Escrow Fund shall not constitute a trust fund and may be commingled with other monies held by Mortgagee. No earnings or interest on the Escrow Fund shall be payable to Mortgagor. Notwithstanding anything contained in this paragraph 5 to the contrary, so long as (a) the Prime Tenant is the sole tenant of the entire Premises pursuant to the Prime Lease, (b) the Prime Lease is in full force and effect, (c) no default or event which with the passing of time or the giving of notice would become a default has occurred under the Prime Lease, and (d) the Prime Tenant is responsible for paying the Impositions under the Prime Lease and actually pays the Impositions before they become delinquent, then the obligations of Mortgagor under this paragraph 5 shall be deemed to have been met; provided, however, in the event that Mortgagor is obligated pursuant to the Prime Lease to pay for or maintain insurance of any type, Mortgagor shall be required to escrow sums with Mortgagee for such required insurance pursuant to the terms of this paragraph 5.

6. Condemnation. Mortgagor shall promptly give Mortgagee notice of the actual or threatened commencement of any

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condemnation or eminent domain proceeding and shall deliver to Mortgagee copies of any and all papers served in connection with such proceedings. Notwithstanding any taking by any public or quasi-public authority through eminent domain or otherwise (including but not limited to any transfer made in lieu of or in anticipation of the exercise of such taking), Mortgagor shall continue to pay the Debt at the time and in the manner provided for its payment in the Note and in this Mortgage and the Debt shall not be reduced until any award or payment therefor shall have been actually received and applied by Mortgagee, after the deduction of expenses of collection, to the reduction or discharge of the Debt. Mortgagee shall not be limited to the interest paid on the award by the condemning authority but shall be entitled to receive out of the award interest at the rate or rates provided herein and in the Note. Mortgagee may apply any such award or payment to the reduction or discharge of the Debt whether or not then due and payable. Any reduction of the Debt pursuant to the terms of this paragraph 6 shall not be deemed a prepayment of the Debt and no prepayment consideration, if any, shall be due. If the Mortgaged Property is sold, through foreclosure or otherwise, prior to the receipt by Mortgagee of such award or payment, Mortgagee shall have the right, whether or not a deficiency judgment on the Note shall have been sought, recovered or denied, to receive said award or payment, or a portion thereof sufficient to pay the Debt.

7. Leases and Rents. (a) Mortgagee has the right to enter the Mortgaged Property for the purpose of enforcing, on the terms hereof, its interest in the Leases and the Rents, this Mortgage constituting a present absolute assignment, grant and transfer thereof.

(b) Upon or at any time after the occurrence of an Event of Default (hereinafter defined), Mortgagee may enter upon the Mortgaged Property, and collect, retain and apply the Rents toward payment of the Debt in such priority and proportions as Mortgagee in its discretion shall deem proper. All Leases (except as set forth below in clause (viii) below in connection with an assignment or sublet to a Related Corporation (as defined in the Prime Lease) and other than the Prime Lease) shall be subject to the prior approval of Mortgagee and which approval shall not be unreasonably withheld or delayed. Upon request, Mortgagor shall furnish Mortgagee with executed copies of all Leases. No material changes may be made to the Mortgagee- approved lease without the prior written consent of Mortgagee, which consent may not be unreasonably withheld. In addition, except as otherwise set forth below in clause (viii) below in connection with an assignment or sublet to a Related Corporation (as defined in the Prime Lease), all renewals of Leases and all proposed Leases shall be arms-length transactions with terms

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which are commercially reasonable and consistent with that of the prevailing rental market. All Leases shall provide that they are subordinate to this Mortgage and that the lessee attorns to Mortgagee. Mortgagor (i) shall observe

and perform all the obligations imposed upon the lessor under the Leases and shall not do or permit to be done anything to impair the value of the Leases as security for the Debt; (ii) shall promptly send copies to Mortgagee of all notices of default which Mortgagor shall send or receive thereunder; (iii) shall enforce all of the material terms, covenants and conditions contained in the Leases upon the part of the lessees thereunder to be observed or performed, short of termination thereof; (iv) shall not collect any of the Rents more than one (1) month in advance; (v) shall not execute any other assignment of lessor's interest in the Leases or the Rents; (vi) shall not, except as otherwise provided in clause (viii) of this Section 7(b), materially alter, modify or change the terms of the Leases without the prior written consent of Mortgagee, or cancel or terminate the Leases or accept a surrender thereof except as required by the terms of the Leases or with Mortgagee's consent, or convey transfer or suffer or permit a conveyance or transfer of the Premises or of any interest therein so as to effect a merger of the estates and rights of, or a termination or diminution of the obligations of, lessees thereunder; (vii) shall not alter, modify or change the terms of any guaranty of the Leases or cancel or terminate such guaranty without the prior written consent of Mortgagee; (viii) shall not consent to any assignment of or subletting under the Leases not in accordance with their terms, without the prior written consent of Mortgagee, other than an assignment or sublet of the Prime Lease to a Related Corporation (as defined in the Prime Lease) as provided in Article XXIV of the Prime Lease; and (ix) shall execute and deliver at the request of Mortgagee all such further assurances, confirmations and assignments in connection with the Mortgaged Property as Mortgagee shall from time to time reasonably require. In addition to the rights which Mortgagee may have herein, upon the occurrence of any Event of Default, Mortgagee, at its option, may require Mortgagor to vacate and surrender possession of the Mortgaged Property to Mortgagee or to such receiver and, in default thereof, Mortgagor may be evicted by summary proceedings or otherwise. Nothing contained in this paragraph shall be construed as imposing on Mortgagee any of the obligations of lessor under the Leases.

8. Maintenance of Mortgaged Property. Mortgagor shall cause the Mortgaged Property to be maintained in a good and safe condition and repair. Except as may otherwise be provided in the Prime Lease, the Improvements and the Equipment shall not be removed, demolished or materially altered except (a) for normal replacement of the Equipment which has become obsolete or unfit for use or which is no longer useful in the management, operation

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or maintenance of the Mortgaged Property or (b) provided the Prime Lease is in effect, as provided in the Prime Lease. Mortgagor shall, or shall cause Prime Tenant to, promptly replace any such Equipment so disposed of or removed with other Equipment of equal quality, value, serviceability and use, free of superior title, liens and claims. Mortgagor shall, or shall cause Prime Tenant to, promptly comply with all existing and future governmental laws, orders, ordinances, rules and regulations affecting the Mortgaged Property, or the use thereof, and shall, subject to the provisions of paragraph 3, promptly repair, replace or rebuild any part of the Mortgaged Property which may be destroyed by any casualty (including any casualty for which insurance was not obtained or obtainable), or become damaged, worn or dilapidated or which may be affected by any proceeding of the character referred to in paragraph 6 hereof or as provided in Section 59(a) hereof and shall complete and pay for, within a reasonable time, any structure at any time in the process of construction or repair on the Premises. Mortgagor shall not initiate, join in, or consent to any change in any private restrictive covenant, zoning law or other public or private restriction, limiting or defining the uses which may be made of the Mortgaged Property or any part thereof. Mortgagor shall not consent to or initiate the joint assessment of the Premises and the Improvements (a) with any other real property constituting a separate tax lot and Mortgagor represents and covenants that the Premises and the Improvements are and shall remain a separate tax lot or one or more separate tax lots or (b) with any portion of the Mortgaged Property which may be deemed to constitute personal property or which shall be assessed or levied or charged to the Mortgaged Property as a single lien.

9. Transfer or Encumbrance of the Mortgaged Property. (a)

Mortgagor acknowledges that Mortgagee has examined and relied on the creditworthiness of Mortgagor and experience of Mortgagor in owning and operating properties such as the Mortgaged Property in agreeing to make the loan secured hereby, and that Mortgagee will continue to rely on Mortgagor's ownership of the Mortgaged Property as a means of maintaining the value of the Mortgaged Property as security for repayment of the Debt. Mortgagor acknowledges that Mortgagee has a valid interest in maintaining the value of the Mortgaged Property so as to ensure that, should

Mortgagor default in the repayment of the Debt, Mortgagee can recover the Debt by a sale of the Mortgaged Property.

(b) (i) Except as set forth in Section 9(b)(ii) below, Mortgagor shall not, without the prior written consent of Mortgagee, further encumber the Mortgaged Property or any part thereof or permit the further encumbrance of the Mortgaged Property or any part thereof, or pledge the Mortgaged Property or any part thereof. Mortgagor shall not, without the prior written

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consent of Mortgagee, sell, transfer or convey the Mortgaged Property or any part thereof or the right to manage or control the operation of the Mortgaged Property or any part thereof or permit the Mortgaged Property or any part thereof to be sold, transferred or conveyed. A sale, transfer or conveyance within the meaning of this paragraph 9 shall be deemed to include (a) an installments sales agreement wherein Mortgagor agrees to sell the Mortgaged Property or any part thereof for a price to be paid in installments; (b) an agreement by Mortgagor (other than the Prime Lease) leasing all or a substantial part of the Mortgaged Property or a sale, assignment or other transfer of, or the grant of a security interest in, Mortgagor's right, title and interest in and to any Leases or any Rents; (c) if Mortgagor, any Guarantor (hereinafter defined), any managing member, or any general partner of Mortgagor or Guarantor is a corporation, the voluntary or involuntary sale, conveyance or transfer of such corporation's stock or the creation or issuance of new stock in a single transaction or cumulatively over any series of transactions, by which, in the aggregate, more than 49% of such corporation's stock shall at any time be vested in a party or parties who are not now stockholders; (d) if Mortgagor, any Guarantor, any managing member, or any general partner of Mortgagor or Guarantor is a limited or general partnership or joint venture, the change, removal or resignation of a general partner or managing partner or the transfer of the partnership interest of any general partner or managing partner; and (e) if Mortgagor, any Guarantor, any managing member, or any general partner of Mortgagor is a limited liability company, the voluntary or involuntary sale, conveyance or transfer of such limited liability company's membership interests by which an aggregate of more than 10% of such limited liability company's membership interests shall be vested in a party or parties who are not now members; or (f) the removal or resignation of the managing agent, if any, for the Mortgaged Property or the transfer of ownership, management or control of such managing agent to a person or entity other than the general partner or managing partner, if Mortgagor is a partnership, or the managing member, if Mortgagor is a limited liability company of Mortgagor without the consent of Mortgagee.

(ii) Notwithstanding anything to the contrary contained herein, Mortgagor shall have the one-time right to transfer the Mortgaged Property to a single-purpose, bankruptcy remote entity (including an Affiliate (as hereinafter defined) of Mortgagor or Prime Tenant) without the consent of Mortgagee provided that (A) no Event of Default shall have occurred hereunder; (B) the Prime Lease is in effect; (C) the transferee shall assume the obligations of the Mortgagor hereunder and Mortgagee shall receive such evidence as it, in its sole discretion, finds satisfactory that all approvals and authorizations, if any, for

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such transfer and assumption of this Mortgage have been obtained; (D) Mortgagor at its sole cost and expense, shall deliver such reasonable opinions of counsel as Mortgagee may, in its sole discretion, request; (E) Mortgagor shall pay for all costs and expense incurred by Mortgagee in connection with such transfer, including all reasonable attorneys' fees; and (F) if the transferee is not an Affiliate of Mortgagor or Prime Tenant, Mortgagor shall pay to Mortgagee, in addition to those amounts payable under subsection (G) hereof, an amount equal to 1% of the outstanding principal amount of the Debt. "Affiliate" shall mean a corporation or other business entity which controls, is controlled by or is under common control with Mortgagor or Prime Tenant, which, for the purposes of this definition, shall mean, with respect to any person or entity the possession, directly or indirectly, of the power to direct or cause the direction of the management of such person or entity, whether through the ownership of voting security or other ownership interests.

(c) Mortgagee reserves the right to condition the consent required hereunder upon a modification of the terms hereof and on assumption of this Mortgage as so modified by the proposed transferee, payment of a transfer fee, or such other conditions as Mortgagee shall determine in its sole discretion to be in the interest of Mortgagee. Mortgagee shall not be required to demonstrate any actual impairment of its security or any increased risk of default hereunder in order to declare the Debt immediately due and payable upon Mortgagor's sale, transfer, conveyance or further encumbrance of the Mortgaged Property without Mortgagee's consent. This provision shall apply to every sale, transfer, conveyance, or further encumbrance of the Mortgaged Property or any part thereof regardless of whether voluntary or not, or whether or not Mortgagee has consented to any previous sale, transfer, conveyance, or further encumbrance of the Mortgaged Property. Mortgagor was ably represented by an attorney-at-law in the delivery of this Mortgage, the terms and conditions of which were bargained for at arm's length and without duress of any kind.

(d) After prior written notice to Mortgagee, Mortgagor, at its own expense, may contest by appropriate legal proceeding, promptly initiated and conducted in good faith and with due diligence, the amount or validity or application in whole or in part of any lien which is subordinate to the lien of this Mortgage, provided that (i) Mortgagor is not in default under the Note or this Mortgage, (ii) such proceedings shall suspend the collection of the lien from Mortgagor and from the Mortgaged Property, (iii) such proceeding shall be permitted under and be conducted in accordance with the provisions of any other instrument to which Mortgagor is subject and shall not constitute a default thereunder, (iv) neither the Mortgaged Property nor any

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part thereof or interest therein will be in danger of being sold, forfeited, terminated, cancelled or lost, (v) Mortgagor or the Prime Tenant shall have set aside adequate reserves for the payment of the lien, together with all interest and penalties thereon, and (vi) Mortgagor shall have furnished such security as may be required in the proceeding, or as may be requested by Mortgagee to insure the payment of any such lien, together with all interest and penalties thereon; provided, however, so long as (a) the Prime Tenant is the sole tenant of the entire Premises pursuant to the Prime Lease, (b) the Prime Lease is in full force and effect and (c) no default or event which with the passing of time or the giving of notice would become a default has occurred under the Prime Lease, the Prime Tenant may contest any such lien in accordance with the terms of the Prime Lease and the provisions of clauses (i) through (vi) of this paragraph 9(d).

10. Estoppel Certificates.

(a) After request by Mortgagee, Mortgagor, within fifteen (15) days and at its expense, will furnish Mortgagee with a statement, duly acknowledged and certified, setting forth the amount of the original principal amount of the Note, the unpaid principal amount of the Note, the date payments of interest and/or principal were last paid, any offsets or defenses to the payment of the Debt and that the Note and this Mortgage are valid, legal and binding obligations and have not been modified or if modified, giving particulars of such modification.

(b) After request by Mortgagee, Mortgagor will use its best efforts (which shall not include the expenditure of any sums of money) to furnish Mortgagee, within thirty (30) days, with estoppel certificates in form and substance reasonably satisfactory to Mortgagee from any lessees under then existing Leases.

11. Notices. Any notice, demand, statement, request or consent made hereunder shall be in writing and delivered personally or mailed to the party to whom the notice, demand or request is being made by certified or registered mail, return receipt requested, as follows and shall be deemed given when delivered personally or placed in the United States mail:

if to Mortgagee: at the address first written above

with a copy to:
Brown & Wood LLP
One World Trade Center
New York, New York 10048
Attn: David J. Weinberger, Esq.

if to Mortgagor: at the address first written above

or such other address as either Mortgagor or Mortgagee shall hereafter specify by written notice as provided herein.

12. Sale of Mortgaged Property. If this Mortgage is foreclosed, the Mortgaged Property, or any interest therein, may at the discretion of Mortgagee, be sold in one or more parcels or in several interests or portions and in any order or manner. Mortgagor agrees that, in the event that holder of the Mortgage, in the exercise of the power of sale herein given, elects to sell in parcels, such sale may be held from time to time and the power of sale shall not be exhausted until all of the Mortgaged Property not previously released shall have been sold.

13. Changes in the Laws Regarding Taxation. If any law is enacted or adopted or amended after the date of this Mortgage which deducts the Debt from the value of the Mortgaged Property for the purpose of taxation and which imposes a tax, either directly or indirectly, on the Note, the Debt or Mortgagee's interest in the Mortgaged Property, Mortgagor will pay such tax, with interest and penalties thereon. In the event Mortgagee is advised by counsel chosen by it that the payment of such tax or interest and penalties by Mortgagor would be unlawful, or taxable to Mortgagee or unenforceable or provide the basis for a defense of usury, then in any such event, Mortgagee shall have the option, by written notice of not less than thirty (30) days, to declare the Debt immediately due and payable.

14. No Credits on Account of the Debt. Mortgagor will not claim or demand or be entitled to any credit or credits on account of the Debt for any part of the Impositions assessed against the Mortgaged Property or any part thereof and no deduction shall otherwise be made or claimed from the taxable value of the Mortgaged Property, or any part thereof, by reason of this Mortgage or the Debt. In the event such claim, credit or deduction shall be required by law, Mortgagee shall have the option, by written notice of not less than ninety (90) days, to declare the Debt immediately due and payable.

15. Documentary Stamps. If at any time the United States of America, any State thereof or any subdivision of any such State shall require revenue or other stamps to be affixed to the Note or this Mortgage, or impose any other tax or charge on the same, Mortgagor will pay for the same, with interest and penalties thereon, if any.

16. Right of Entry. Mortgagee and its agents shall have the right to enter and inspect the Mortgaged Property at all

reasonable times, and, except in the event of an emergency, upon reasonable notice. Such entry is to be accomplished in a reasonable manner which avoids interference with the conduct by the Prime Tenant of its operations. Mortgagor shall pay Mortgagee an annual inspection fee of \$750 to reimburse Mortgagee for Mortgagee's costs of inspecting the Mortgaged Property. Mortgagor shall pay such fee within ten (10) days of demand by Mortgagee, and if Mortgagor shall fail to pay such fee within such period, Mortgagee may, at its option, deduct such amount from the Escrow Fund or declare an Event of Default.

17. Books and Records. Mortgagor will keep and maintain or will cause to be kept and maintained on a fiscal year basis in accordance with generally accepted accounting practices consistently applied proper and accurate books, records and accounts reflecting all of the financial affairs of Mortgagor and all items of income and expense in connection with the operation of the Mortgaged Property or in connection with any services, equipment or furnishings provided in connection with the operation of the Mortgaged Property. Mortgagee shall have the right from time to time at all times during normal business hours to examine such books, records and accounts at the office of Mortgagor or other person maintaining such books, records and accounts and to make copies or extracts thereof as Mortgagee shall desire. Provided no Event of Default hereunder shall have occurred and be continuing, Mortgagor will furnish Mortgagee annually, within ninety (90) days next following the end of each fiscal year of Mortgagor, with (a) a complete executed copy of a financial statement of Mortgagor certified by the chief financial officer of the Mortgagor

acceptable to Mortgagee covering such fiscal year and containing: a fully itemized statement of income and expenses, a balance sheet, and a statement of changes in financial condition or position, and (b) copies of all tax returns filed by Mortgagor. If an Event of Default shall have occurred and be continuing, Mortgagor shall (i) provide annual audited financial statements within ninety (90) days next following the end of each fiscal year of Mortgagor, acceptable to Mortgagee covering such fiscal year and containing: a fully itemized statement of income and expenses, a balance sheet, and a statement of changes in financial condition or position, and (ii) furnish Mortgagee quarterly, within thirty (30) days next following the end of each fiscal quarter of Mortgagor, with a complete unaudited financial statement of Mortgagor for such fiscal quarter prepared and certified by an officer of Mortgagor and in form acceptable to Mortgagee and containing a fully itemized statement of income and expenses of the Mortgaged Property and with rent rolls and schedules of the Mortgaged Property. Within ninety (90) days after the end of each fiscal year of Mortgagor, Mortgagor shall furnish to Mortgagee a certificate signed by a duly authorized representative of

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Mortgagor certifying on the date thereof either that there does or does not exist an event which constitutes, or which upon notice or lapse of time or both would constitute, a default under the Note or this Mortgage and if such event exists, the nature thereof and the period of time it has existed. Mortgagor shall furnish Mortgagee promptly upon transmission thereof with copies of all financial statements, proxy statements, notices and reports of Prime Tenant as said entity shall send to its public shareholders and copies of all registration statements (other than Form S-8 registration statements) and each Form 8-K, Form 10-K and Form 10-Q which it files with the Securities and Exchange Commission (or any governmental body or agency succeeding to the functions of the Securities and Exchange Commission). Mortgagor shall also furnish, or shall cause Prime Tenant to furnish to Mortgagee, within ten (10) days after request, such further detailed information covering the leasing and operation of the Mortgaged Property and the financial affairs of Mortgagor and Prime Tenant and any Guarantor as may be reasonably requested by Mortgagee. Mortgagee agrees that, except as provided in Section 37 hereof, any non-public information (i) shall be kept strictly confidential; (ii) shall be used solely for the purposes of analyzing and evaluating the loan secured hereby and any securitization of such loan; and (iii) shall not be used for proprietary purposes except as set forth herein.

18. Performance of Other Agreements. Mortgagor shall observe and perform, or cause to be observed and performed, each and every term to be observed or performed by Mortgagor pursuant to the terms of any agreement or recorded instrument affecting or pertaining to the Mortgaged Property.

19. Events of Default. The Debt shall become immediately due at the option of Mortgagee upon any one or more of the following events ("Event of Default"):

(a) if any portion of the Debt is not paid when the same is due;

(b) if any of the Impositions are not paid prior to delinquency thereof;

(c) if the terms and conditions of paragraph 3 are violated;

(d) if Mortgagor violates or does not comply with any of the provisions of paragraphs 7 or 9 or paragraph 48 if such violation is reportable to any local, state or federal agency;

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(e) if any representation or warranty of Mortgagor, or performance by Mortgagor of any of the terms of this Mortgage, made herein or in any such guaranty, or in any certificate, report, financial statement or other instrument furnished to Mortgagee shall

prove false or misleading in any material respect;

(f) if Mortgagor shall make an assignment for the benefit of creditors or if Mortgagor shall generally not be paying its debts as they become due;

(g) if a receiver, liquidator or trustee of Mortgagor shall be appointed or if Mortgagor shall be adjudicated a bankrupt or insolvent, or if any petition for bankruptcy, reorganization or arrangement pursuant to federal bankruptcy law, or any similar federal or state law, shall be filed by or against, consented to, or acquiesced in by, Mortgagor or if any proceeding for the dissolution or liquidation of Mortgagor shall be instituted; however, if such appointment, adjudication, petition or proceeding was involuntary and not consented to by Mortgagor, upon the same not being discharged, stayed or dismissed within sixty (60) days or if Mortgagor shall generally not be paying its debts as they become due;

(h) if Mortgagor shall be in default under any other mortgage or security agreement covering any part of the Mortgaged Property whether it be superior or junior in lien to this Mortgage;

(i) if the Mortgaged Property becomes subject to any mechanic's, materialmen's or other lien, other than a lien for local real estate taxes and assessments not then delinquent, and such lien shall remain undischarged of record (by payment, bonding, or otherwise) for thirty (30) days unless such lien is being contested in accordance with the terms of this Mortgage;

(j) if Mortgagor fails to cure, or to cause Prime Tenant to cure, promptly any violations of laws or ordinances affecting or which may be interpreted to affect the Mortgaged Property;

(k) [intentionally omitted];

(l) if the Prime Lease shall terminate, or if the Prime Tenant shall be in default beyond any applicable notice and grace period, if any, under any of the terms of the Prime Lease, or if Mortgagor shall be in default under any of the terms of the Prime Lease;

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(m) if (i) any representation or warranty made by Mortgagor under paragraph 54 fails to be true and correct in all respects, (ii) Mortgagor fails to provide Mortgagee with the written certifications and evidence referred to in paragraph 54, or (iii) Mortgagor consummates a transaction which would cause this Mortgage or any exercise of Mortgagee's rights under this Mortgage, or the Other Security Documents to constitute a non-exempt prohibited transaction under ERISA or a violation of a state statute regulating governmental plans, or otherwise subjecting Mortgagee to liability for violation of ERISA or such state statute;

(n) if Mortgagor shall be in default beyond any applicable notice or grace periods under any one or more of those certain mortgages more particularly described in Exhibit C attached hereto and made a part hereof or the notes secured thereby; or

(o) if Mortgagor shall be in default under any of the other terms, covenants or conditions of the Note, this Mortgage or the Other Security Documents other than as set forth in (a)-(n) above for ten (10) days after notice from Mortgagee in the case of any default which can be cured by the payment of a sum of money or for thirty (30) days after notice from Mortgagee in the case of any other default, provided that if such default is susceptible of cure but cannot reasonably be cured within such thirty (30) day period and Mortgagor shall have commenced to cure such default within such thirty (30) day period and thereafter diligently and expeditiously proceeds to cure the same, such thirty (30) day period shall be extended for so long as it shall require Mortgagor in the exercise of due diligence to cure such default.

Upon the occurrence of any Event of Default, Mortgagee may take such action, without notice or demand, as it deems advisable to protect and enforce its rights against and in and to the Mortgaged Property, including, but not limited to, the following actions, each of which may be pursued concurrently or otherwise, at such time and in such order as Mortgagee may determine, in its

sole discretion, without impairing or otherwise affecting the other rights and remedies: (i) declare the entire Debt to be immediately due and payable; (ii) institute proceedings for the complete foreclosure of this Mortgage in which case the Mortgaged Property or any interest therein may be sold for cash or upon credit in one or more parcels or in several interests or portions and in any order or manner; (iii) with or without entry, to the extent permitted and pursuant to the procedures provided by applicable law, institute proceedings for the partial foreclosure

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of this Mortgage for the portion of the Debt then due and payable, subject to the continuing lien of this Mortgage for the balance of the Debt not then due; (iv) sell for cash or upon credit the Mortgaged Property or any part thereof and all estate, claim, demand, right, title and interest of Mortgagor therein and rights of redemption thereof, pursuant to power of sale or otherwise, at one or more sales, as an entity or in parcels, at such time and place, upon such terms and after such notice thereof as may be required or permitted by law; (v) institute an action, suit or proceeding in equity for the specific performance of any covenant, condition or agreement contained herein, in the Note or in any of the Other Security Documents; (vi) recover judgment on the Note either before, during or after any proceedings for the enforcement of this Mortgage; (vii) apply for the appointment of a trustee, receiver, liquidator or conservator of the Mortgaged Property, without notice and without regard for the adequacy of the security for the Debt and without regard for the solvency of the Mortgagor, any Guarantor or of any person, firm or other entity liable for the payment of the Debt; (viii) enforce Mortgagee's interest in the Leases and Rents and enter into or upon the Mortgaged Property, either personally or by its agents, nominees or attorneys, and dispossess Mortgagor and its agents and servants therefrom, and thereupon Mortgagee may (A) use, operate, manage, control, insure, maintain, repair, restore and otherwise deal with all and every part of the Mortgaged Property and conduct the business thereat; (B) complete any construction on the Mortgaged Property in such manner and form as Mortgagee deems advisable; (C) make alterations, additions, renewals, replacements and improvements to or on the Mortgaged Property; (D) exercise all rights and powers of Mortgagor with respect to the Mortgaged Property, whether in the name of Mortgagor or otherwise, including, without limitation, the right to make, cancel, enforce or modify Leases, obtain and evict tenants, and demand, sue for, collect and receive all earnings, revenues, rents, issues profits and other income of the Mortgaged Property and every part thereof; and (E) apply the receipts from the Mortgaged Property to the payment of the Debt, after deducting therefrom all expenses (including, without limitation, attorneys' fees) incurred in connection with the aforesaid operations and all amounts necessary to pay the Impositions, in connection with the Mortgaged Property, as well as reasonable compensation for the services of Mortgagee, its counsel, agents and employees; or (ix) pursue such other rights and remedies as may be available at law or in equity.

20. Right to Cure Defaults. Upon the occurrence of any Event of Default or if Mortgagor fails to make any payment or to do any act as herein provided, Mortgagee may, but without any obligation to do so and without notice to or demand on Mortgagor and without releasing Mortgagor from any obligation hereunder,

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make or do the same in such manner and to such extent as Mortgagee may deem necessary to protect the security hereof. Mortgagee is authorized to enter upon the Mortgaged Property for such purposes, or appear in, defend, or bring any action or proceedings to protect its interest in the Mortgaged Property or to foreclose this Mortgage or collect the Debt, and the cost and expense thereof (including reasonable attorneys' fees to the extent permitted by law), with interest as provided in this paragraph, shall constitute a portion of the Debt and shall be due and payable to Mortgagee. All such costs, payments and expenses incurred by Mortgagee in remedying such Event of Default or in appearing in, defending, or bringing any such action or proceeding shall bear interest as set forth in the Note, for the period after notice from Mortgagee that such cost or expense was incurred to the date of payment to Mortgagee. All such costs, payments and expenses incurred by Mortgagee together with interest thereon calculated at the above rate shall be deemed to constitute a portion of the Debt and be secured by this Mortgage and shall be immediately due and payable upon

demand by Mortgagee therefor.

21. [Intentionally omitted].

22. Prepayment After Event of Default. If following the occurrence of any Event of Default, Mortgagor shall tender payment of an amount sufficient to satisfy the Debt in whole or in part at any time prior to a foreclosure sale of the Mortgaged Property, and if at the time of such tender prepayment of the principal balance of the Note is not permitted by the Note, Mortgagor shall, in addition to the entire Debt, also pay to Mortgagee a sum equal to interest which would have accrued on the principal balance of the Note at the rate or rates specified in the Note from the date of such tender to the earlier of (a) the Maturity Date, as defined in the Note, or (b) the first day of the period during which prepayment of the principal balance of the Note would have been permitted, together with a prepayment premium equal to the prepayment premium which would have been payable as of the first day of the period during which prepayment would have been permitted. If at the time of such tender prepayment of the principal balance of the Note is permitted, such tender by Mortgagor shall be deemed to be a voluntary prepayment of the principal balance of the Note, and Mortgagor shall, in addition to the entire Debt, also pay to Mortgagee the applicable prepayment premium specified in the Note or this Mortgage.

23. Appointment of Receiver. The holder of this Mortgage, upon the occurrence of an Event of Default or in any action to foreclose this Mortgage or upon the actual or threatened waste to any part of the Mortgaged Property, shall be entitled to the

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appointment of a receiver without notice and without regard to the value of the Mortgaged Property as security for the Debt, or the solvency or insolvency of any person liable for the payment of the Debt.

24. Restoration of Rights. In case Mortgagee shall have proceeded to enforce any right under this Mortgage by foreclosure sale, entry or otherwise, and such proceedings shall have been discontinued or abandoned for any reason or shall have been determined adversely, then, in every such case, Mortgagor and Mortgagee shall be restored to their former positions and rights hereunder with respect to the Mortgaged Property subject to the lien hereof.

25. Non-Waiver. The failure of Mortgagee to insist upon strict performance of any term hereof shall not be deemed to be a waiver of any term of this Mortgage. Mortgagor shall not be relieved of Mortgagor's obligations hereunder by reason of (a) failure of Mortgagee to comply with any request of Mortgagor or Guarantors to take any action to foreclose this Mortgage or otherwise enforce any of the provisions hereof or of the Note or the Other Security Documents, (b) the release, regardless of consideration, of the whole or any part of the Mortgaged Property or any other security for the Debt, or of any person liable for the Debt or portion thereof, or (c) any agreement or stipulation by Mortgagee extending the time of payment or otherwise modifying or supplementing the terms of the Note, this Mortgage or the Other Security Documents. Mortgagee may resort for the payment of the Debt to any other security held by Mortgagee in such order and manner as Mortgagee, in its discretion, may elect. Mortgagee may take action to recover the Debt, or any portion thereof, or to enforce any covenant hereof without prejudice to the right of Mortgagee thereafter to foreclose this Mortgage. The rights of Mortgagee under this Mortgage shall be separate, distinct and cumulative and none shall be given effect to the exclusion of the others. No act of Mortgagee shall be construed as an election to proceed under any one provision herein to the exclusion of any other provision. Mortgagee shall not be limited exclusively to the rights and remedies herein stated but shall be entitled to every right and remedy now or hereafter afforded by law or in equity.

26. Liability. If Mortgagor consists of more than one person, the obligations and liabilities of each such person hereunder shall be joint and several.

27. Security Agreement. This Mortgage is both a real property mortgage and a "security agreement" within the meaning of the Uniform Commercial Code. The Mortgaged Property includes both real and personal property and all other rights and

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interests, whether tangible or intangible in nature, of Mortgagor in the Mortgaged Property. Mortgagor by executing and delivering this Mortgage has granted to Mortgagee, as security for the Debt, a security interest in the Mortgaged Property to the full extent that the Mortgaged Property may be subject to the Uniform Commercial Code of the state or states where the Mortgaged Property is situated (said portion of the Mortgaged Property so subject to the Uniform Commercial Code being called in this paragraph the "Collateral"). If an Event of Default shall occur, Mortgagee, in addition to any other rights and remedies which it may have, shall have and may exercise immediately and without demand, any and all rights and remedies granted to a secured party upon default under the Uniform Commercial Code, including, without limiting the generality of the foregoing, the right to take possession of the Collateral or any part thereof, and to take such other measures as Mortgagee may deem necessary for the care, protection and preservation of the Collateral. Upon request or demand of Mortgagee, Mortgagor shall at its expense assemble the Collateral and make it available to Mortgagee at a convenient place acceptable to Mortgagee. Mortgagor shall pay to Mortgagee on demand any and all expenses, including legal expenses and attorneys' fees, incurred or paid by Mortgagee in protecting its interest in the Collateral and in enforcing its rights hereunder with respect to the Collateral. Any notice of sale, disposition or other intended action by Mortgagee with respect to the Collateral sent to Mortgagor in accordance with the provisions hereof at least five (5) days prior to such action, shall constitute reasonable notice to Mortgagor. The proceeds of any disposition of the Collateral, or any part thereof, may be applied by Mortgagee to the payment of the Debt in such priority and proportions as Mortgagee in its discretion shall deem proper.

28. Not Foreign Person. Mortgagor represents and warrants that Mortgagor is not a "foreign person" within the meaning of ss.1445(f)(3) of the Internal Revenue Code of 1986 as amended and the related Treasury Department regulations, including temporary regulations.

29. Actions and Proceedings. Mortgagee has the right to appear in and defend any action or proceeding brought with respect to the Mortgaged Property and to bring any action or proceedings, in the name and on behalf of Mortgagor, which Mortgagee, in its reasonable discretion, decides should be brought to protect its interest in the Mortgaged Property. Mortgagee shall, at its option, be subrogated to the lien of any mortgage or other security instrument discharged in whole or in part by the Debt, and any such subrogation rights shall constitute additional security for the payment of the Debt.

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30. Inapplicable Provisions. If any term, covenant or condition of the Note or this Mortgage is held to be invalid, illegal or unenforceable in any respect, the Note and this Mortgage shall be construed without such provision.

31. Duplicate Originals. This Mortgage may be executed in any number of duplicate originals and each such duplicate original shall be deemed to constitute but one and the same instrument.

32. Prepayment. The Debt may be prepaid only in accordance with the terms of the Note.

33. Certain Definitions. Unless the context clearly indicates a contrary intent or unless otherwise specifically provided herein, words used in this Mortgage shall be used interchangeably in singular or plural form and the word "Mortgagor" shall mean "each Mortgagor and/or any subsequent owner or owners of the Mortgaged Property or any part thereof or interest therein," the word "Mortgagee" shall mean "Mortgagee or any subsequent holder of the Notes," the word "Note" shall mean "the Note or any other evidence of indebtedness secured by this Mortgage," the word "person" shall include an individual, corporation, partnership, trust, limited liability company, unincorporated association, government, governmental authority, or other entity, the words "Mortgaged Property" shall include any portion of the Mortgaged Property or interest therein, and the word "Debt" shall mean "the principal outstanding balance of the Note with interest thereon as provided in the Note and this Mortgage and all other sums which may or shall become due pursuant to the Note and this Mortgage and secured by this Mortgage"; whenever the context may require, any pronouns used herein shall include the corresponding masculine, feminine or neuter forms, and the singular form of nouns and pronouns shall

include the plural and vice versa.

34. No Oral Change. This Mortgage, and any provisions hereof, may not be modified, amended, waived, extended, changed, discharged or terminated orally or by any act on the part of Mortgagor or Mortgagee, but only by an agreement in writing signed by the party against whom enforcement of any modification, amendment, waiver, extension, change, discharge or termination is sought.

35. Change of Ownership. For recording on its records a change of ownership of the Mortgaged Property approved by Mortgagee, Mortgagee shall be entitled, at its option, to receive an administrative fee; provided, however, that in no event shall this fee be payable where the same would render the loan evidenced by the Note usurious under applicable law.

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36. Waiver of Counterclaim. Mortgagor hereby waives the right to assert a counterclaim, other than compulsory counterclaim, in any action or proceeding brought against it by Mortgagee, and waives trial by jury in any action or proceeding brought by either party hereto against the other or in any counterclaim asserted by Mortgagee against Mortgagor, or in any matters whatsoever arising out of or in any way connected with the Mortgagor or the Debt.

37. Further Acts, Cooperation. (a) Mortgagor will, at the cost of Mortgagor, and without expense to Mortgagee, do, execute, acknowledge and deliver all and every such further acts, deeds, conveyances, mortgages, deeds of trust, assignments, notices of assignments, transfers and assurances as Mortgagee shall, from time to time, require, for the better assuring, conveying, assigning, transferring, and confirming unto Mortgagee the property and rights hereby mortgaged, given, granted, bargained, sold, aliened, enfeoffed, conveyed, confirmed, pledged, assigned and hypothecated or intended now or hereafter so to be, or which Mortgagor may be or may hereafter become bound to convey or assign to Mortgagee, or for carrying out the intention or facilitating the performance of the terms of this Mortgage or for filing, registering or recording this Mortgage and, on demand, will execute and deliver and hereby authorizes Mortgagee to execute in the name of Mortgagor or without the signature of Mortgagor to the extent Mortgagee may lawfully do so, one or more financing statements, chattel mortgages or comparable security instruments, to evidence more effectively the lien hereof upon the Mortgaged Property. Mortgagor grants to Mortgagee an irrevocable power of attorney coupled with an interest for the purpose of exercising and perfecting any and all rights and remedies available to Mortgagee at law and in equity, including without limitation such rights and remedies available to Mortgagee pursuant to this paragraph 37.

(b) Mortgagor acknowledges that Mortgagee and its successors and assigns may (a) sell this Mortgage, the Note and the Other Security Documents to one or more investors as a whole loan, (b) participate the loan (the "Loan") secured by this Mortgage to one or more investors, (c) deposit this Mortgage, the Note and the Other Security Documents with a trust, which trust may sell certificates to investors evidencing an ownership interest in the trust assets or (d) otherwise sell the Loan or interest therein to investors (the transactions referred to in clauses (a) through (d) are hereinafter referred to as "Secondary Market Transactions"). Mortgagor shall cooperate in good faith with Mortgagee in effecting any such Secondary Market Transaction and shall cooperate in good faith to implement all requirements imposed by any Rating Agency involved in any Secondary Market Transaction including, without limitation, all structural or

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other changes to the Loan, modifications to any documents evidencing or securing the Loan, delivery of opinions of counsel acceptable to such Rating Agency and addressing such matters as the rating agency may require; provided, however, that Mortgagor shall not be required to modify any documents evidencing or securing the Loan which would modify any material economic term of the Loan to the detriment of Mortgagor. Mortgagor shall provide such information and documents relating to Mortgagor, Guarantor, if any, the Mortgaged Property, Prime Tenant and any other tenant of the Improvements as Mortgagee may reasonably request in connection with a Secondary Market Transaction. Mortgagee

shall have the right to provide to prospective investors (the "Investors") or any Rating Agency any information in its possession, including, without limitation, financial statements relating to Mortgagor, the Guarantor, if any, the Mortgaged Property, Prime Tenant and any other tenant of the Improvements. Mortgagor acknowledges that certain information regarding the Loan and the parties thereto and the Mortgaged Property may be included in a private placement memorandum, prospectus or other disclosure documents. Mortgagor may notify Mortgagee in writing of any information it, in its reasonable discretion, deems to be proprietary in nature (the "Confidential Information"). Mortgagee shall only release such Confidential Information to Investors as it deems necessary in connection with the Secondary Market Transaction. Mortgagee shall use good faith efforts to cause the Investors and any Rating Agency to keep the Confidential Information confidential, by, among other things, stating in documents disclosing the Confidential Information that such Confidential Information (i) shall be used solely for the purposes of analyzing and assessing the Secondary Market Transaction; (ii) the information shall not be used for any proprietary purposes other than in connection with the Secondary Market Transaction; and (iii) such information shall be kept confidential by any party receiving such information for purposes of analyzing such Secondary Market Transaction. Nothing contained herein shall be deemed to prohibit (x) disclosure of non-Confidential Information (y) disclosure of Confidential Information which, in the opinion of Mortgagee or its counsel, is required by law, and (z) any Rating Agency from including summary statements, conclusions or analyses based on the Confidential Information in any reports they prepare and distribute in connection with the loan secured hereby.

38. Headings, etc. The headings and captions of various paragraphs of this Mortgage are for convenience of reference only and are not to be construed as defining or limiting, in any way, the scope or intent of the provisions hereof.

39. Recording of Mortgage, etc. Mortgagor forthwith upon the execution and delivery of this Mortgage and thereafter, from

time to time, will cause this Mortgage, and any security instrument creating a lien or security interest or evidencing the lien hereof upon the Mortgaged Property and each instrument of further assurance to be filed, registered or recorded in such manner and in such places as may be required by any present or future law in order to publish notice of and fully protect the lien or security interest hereof upon, and the interest of Mortgagee in, the Mortgaged Property. Mortgagor will pay all filing, registration or recording fees, and all expenses incident to the preparation, execution and acknowledgment of this Mortgage, any mortgage supplemental hereto, any security instrument with respect to the Mortgaged Property and any instrument of further assurance, and all federal, state, county and municipal, taxes, duties, imposts, assessments and charges arising out of or in connection with the execution and delivery of this Mortgage, any mortgage supplemental hereto, any security instrument with respect to the Mortgaged Property or any instrument of further assurance, except where prohibited by law so to do. Mortgagor shall hold harmless and indemnify Mortgagee, its successors and assigns, against any liability incurred by reason of the imposition of any tax on the making and recording of this Mortgage.

40. Usury Laws. This Mortgage and the Note are subject to the express condition that at no time shall Mortgagor be obligated or required to pay interest on the principal balance due under the Note at a rate which could subject the holder of the Note, or the Mortgagee to either civil or criminal liability as a result of being in excess of the maximum interest rate which Mortgagor is permitted by law to contract or agree to pay. If by the terms of this Mortgage or the Note, Mortgagor is at any time required or obligated to pay interest on the principal balance due under the Note at a rate in excess of such maximum rate, the rate of interest under the Note shall be deemed to be immediately reduced to such maximum rate and the interest payable shall be computed at such maximum rate and all prior interest payments in excess of such maximum rate shall be applied and shall be deemed to have been payments in reduction of the principal balance of the Note.

41. Sole Discretion of Mortgagee. Wherever pursuant to this Mortgage, Mortgagee exercises any right given to it to approve or disapprove, or any arrangement or term is to be satisfactory to Mortgagee, the decision of Mortgagee to approve or disapprove or to decide that arrangements or terms are satisfactory or not satisfactory shall be in the sole discretion of Mortgagee and shall be final and conclusive, except as may be otherwise specifically provided herein.

42. Recovery of Sums Required to Be Paid. Mortgagee shall have the right from time to time to take action to recover any sum or sums which constitute a part of the Debt as the same become due, without regard to whether or not the balance of the Debt shall be due, and without prejudice to the right of Mortgagee thereafter to bring an action of foreclosure, or any other action, for a default or defaults by Mortgagor existing at the time such earlier action was commenced.

43. Marshalling and Other Matters. Mortgagor hereby waives, to the extent permitted by law, the benefit of all appraisal, valuation, stay, extension, reinstatement and redemption laws now or hereafter in force and all rights of marshalling in the event of any sale hereunder of the Mortgaged Property or any part thereof or any interest therein. Further, Mortgagor hereby expressly waives any and all rights of redemption from sale under any order or decree of foreclosure of this Mortgage on behalf of Mortgagor, and on behalf of each and every person acquiring any interest in or title to the Mortgaged Property subsequent to the date of this Mortgage and on behalf of all persons to the extent permitted by applicable law.

44. Waiver of Notice. Mortgagor shall not be entitled to any notices of any nature whatsoever from Mortgagee except with respect to matters for which this Mortgage specifically and expressly provides for the giving of notice by Mortgagee to Mortgagor and except with respect to matters for which Mortgagee is required by applicable law to give notice, and Mortgagor hereby expressly waives the right to receive any notice from Mortgagee with respect to any matter for which this Mortgage does not specifically and expressly provide for the giving of notice by Mortgagee to Mortgagor unless Mortgagee is required by applicable law to give notice.

45. Remedies of Mortgagor. In the event that a claim or adjudication is made that Mortgagee has acted unreasonably or unreasonably delayed acting in any case where by law or under the Note, this Mortgage or the Other Security Documents, it has an obligation to act reasonably or promptly, Mortgagee shall not be liable for any monetary damages, and Mortgagor's remedies shall be limited to injunctive relief or declaratory judgment.

46. Indemnification. (a) Mortgagor shall protect, indemnify and save harmless Mortgagee from and against all liabilities, obligations, claims, damages, penalties, causes of action, costs and expense (including without limitation reasonable attorneys' fees and expenses whether incurred within or outside the judicial process), imposed upon or incurred by or asserted against Mortgagee by reason of (a) ownership of this Mortgage, the Mortgaged Property or any interest therein or

receipt of any Rents; (b) any accident, injury to or death of persons or loss of or damage to property occurring in, on or about (i) the Mortgaged Property or any part thereof or (ii) on the adjoining sidewalks, curbs, adjacent property or adjacent parking areas, streets or ways (collectively, the "Adjacent Property"), unless the Adjacent Property is owned by, or secures a loan made by, Mortgagee and Mortgagor otherwise has no liability for such accident, injury, death or loss of or damage to property; (c) any use, nonuse or condition in, on or about the Mortgaged Property or any part thereof or the Adjacent Property unless the Adjacent Property is owned by, or secures a loan made by, Mortgagee and Mortgagor otherwise has no liability for such use, non use or condition; (d) any failure on the part of Mortgagor to perform or comply with any of the terms of this Mortgage; (e) performance of any labor or services or the furnishing of any materials or other property in respect of the Mortgaged Property or any part thereof; (f) the failure of any person to file timely with the Internal Revenue Service an accurate Form 1099-B, Statement for Recipients of Proceeds from Real Estate, Broker and Barter Exchange Transactions, which may be required in connection with this Mortgage, or to supply a copy thereof in a timely fashion to the recipient of the proceeds of the transaction in connection with which this Mortgage is made; (g) the presence, disposal, escape, seepage, leakage, spillage, discharge, emission, release, or threatened release of any Hazardous Materials (as hereinafter defined) on, from, or affecting the Mortgaged Property or any other property, unless such other property is owned by, or secures a loan made by, Mortgagee, and Mortgagor otherwise has no liability therefor; (h) any personal injury (including wrongful death) or property damage (real or personal)

arising out of or related to such Hazardous Materials; (i) any lawsuit brought or threatened, settlement reached, or governmental order relating to such Hazardous Materials; or (j) any violation of laws, orders, regulations, requirements, or demands of government authorities, which are based upon or in any way related to such Hazardous Materials including, without limitation, the costs and expenses of any remedial action, attorney and consultant fees, investigation and laboratory fees, court costs, and litigation expenses. Nothing herein shall be construed as indemnifying Mortgagee from such liabilities, claims, costs and expenses, damages, obligations, claims and causes of action resulting solely from its own affirmatively negligent, grossly negligent or willful acts. Any amounts payable to Mortgagee by reason of the application of this paragraph 46 shall be secured by this Mortgage and shall become immediately due and payable and shall bear interest at the Default Rate from the date loss or damage is sustained by Mortgagee until paid. The obligations and liabilities of Mortgagor under this paragraph 46 shall survive any termination,

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satisfaction, assignment, entry of a judgment of foreclosure or delivery of a deed in lieu of foreclosure of this Mortgage.

(b) In the event that any action, suit or proceeding shall be brought against Mortgagee for which Mortgagee is indemnified herein, Mortgagee shall notify Mortgagor of the commencement thereof, and Mortgagor shall be entitled, at its sole cost and expense, acting through counsel reasonably acceptable to Mortgagee, to participate in, and, to the extent that Mortgagor desires to, assume and control the defense thereof; provided, however, that Mortgagor shall have acknowledged in writing its obligation to fully indemnify Mortgagee hereunder in respect of such proceeding, that no Event of Default shall have occurred and be continuing and, provided further, that Mortgagor shall not be entitled to assume control of and, unless named as a party therein, participate in the defense of any such action, suit or proceeding if (i) based upon a reasonable reading by Mortgagee or its counsel of the operative pleadings or initiating papers (x) such action, suit or proceeding involves any risk of imposition of criminal liability or civil enforcement liability against Mortgagee, (y) such action, suit, or proceeding involves any risk of any other civil liability against Mortgagee where the amount in controversy exceeds an aggregate amount of \$5,000,000.00 or will involve a risk of the sale, forfeiture or loss of, or the creation of any lien (other than a Permitted Encumbrance) on the Mortgaged Property or any part thereof unless Mortgagor shall have posted a bond or other security satisfactory to Mortgagee in respect to such risk except with respect to any risk of imposition of criminal liability on Mortgagee as to which Mortgagor shall not be entitled to so participate, and (z) the control of such action, suit or proceeding would involve a bona fide conflict of interest, such action, suit or proceeding involves matters which are unrelated to the overall transaction contemplated by this Mortgage and the Other Security Documents and if determined adversely could be detrimental to the interests of Mortgagee notwithstanding indemnification by Mortgagor. To the extent there are separate or unseverable claims or proceedings which are not subject to the indemnification provisions of this Section, such claims or proceedings may be independently defended by Mortgagee. Mortgagee may participate in a reasonable manner at its own expense and with its own counsel in any proceeding conducted by Mortgagor in accordance with the foregoing. The party controlling any such action, suit or proceeding shall keep the other party or parties hereto fully informed of the status of any such proceeding.

(c) Each of Mortgagee and Mortgagor shall, at Mortgagor's sole cost and expense, make available to the other party such information and documents reasonably requested by the other party as are necessary or advisable for the other party to participate

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in any action, suit or proceeding to the extent permitted by this Section 46.

47. Offsets, Counterclaims and Defenses. Any assignee of this Mortgage and/or the Note shall take the same free and clear of all offsets, counterclaims or defenses which Mortgagor may otherwise have against any assignor of this Mortgage or the Note, and no such counterclaim or defense shall be interposed or asserted by Mortgagor in any action or proceeding brought by any such assignee

upon this Mortgage and the Note and any such right to interpose or assert any such offset, counterclaim or defense in any such action or proceeding is hereby expressly waived by Mortgagor.

48. Environmental Covenants.

(a) Mortgagor has not at any time, and, to Mortgagor's knowledge, after due inquiry and investigation, no other party has at any time, handled, buried, stored, retained, refined, transported, processed, manufactured, generated, produced, spilled, allowed to seep, leak, escape or leach, or pumped, poured, emitted, emptied, discharged, injected, dumped, transferred or otherwise disposed of or dealt with Hazardous Materials on, to or from the Premises or any other real property owned and/or occupied by Mortgagor and Mortgagor does not intend to use the Mortgaged Property or any such other real property for the purpose of handling, burying, storing, retaining, refining, transporting, processing, manufacturing, generating, producing, spilling, seeping, leaking, escaping, leaching, pumping, pouring, emitting, emptying, discharging, injecting, dumping, transferring or otherwise disposing of or dealing with Hazardous Materials, except for ordinary cleaning fluids, heating fuel and other items customarily used in the operation of Prime Tenant's current business, provided such use shall not violate any Environmental Statute (hereinafter defined) or be the basis for a lien against the Mortgaged Property.

(b) Except as previously disclosed in writing to Mortgagee, Mortgagor knows of no seepage, leak, escape, leach, discharge, injection, release, emission, spill, pumping, pouring, emptying or dumping of Hazardous Materials into waters on or adjacent to the Mortgaged Property or any other real property owned and/or occupied by Mortgagor, or onto lands from which such hazardous or toxic waste or substances might seep, flow or drain into such waters.

(c) Mortgagor shall not permit any Hazardous Materials to be handled, buried, stored, retained, refined, transported, processed, manufactured, generated, produced, spilled, allowed to seep, leak, escape or leach, or to be pumped, poured, emitted,

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emptied, discharged, injected, dumped, transferred or otherwise disposed of or dealt with on, to or from the Mortgaged Property or any portion thereof at any time, except for ordinary cleaning fluids, heating fuel and other items customarily used in the operation of Prime Tenant's current business, provided such use is in conformance with all applicable federal, state and local laws, rules and regulations and provided further that such use cannot give rise to liability under any Environmental Statute or be the basis for a lien against the Mortgaged Property.

(d) Except as previously disclosed in writing to Mortgagee, Mortgagor has received no notice of, and has no knowledge of any occurrence or circumstance which with notice or passage of time or both would give rise to a claim under or pursuant to any Environmental Statute, pertaining to hazardous or toxic waste or substances on or originating from the Mortgaged Property or any other real property owned or occupied by Mortgagor or arising out of the conduct of Mortgagor, including, without limitation, pursuant to any Environmental Statute.

(e) In the event that there shall be filed a lien against the Mortgaged Property pursuant to any Environmental Statute, Mortgagor shall, within thirty (30) days or, in the event that the applicable Governmental Authority (as hereinafter defined) has commenced steps to cause the Premises to be sold pursuant to the lien, within ten (10) days, from the date that Mortgagor receives notice of such lien, either (i) pay the claim and remove the lien from the Mortgaged Property, or (ii) furnish (A) a bond reasonably satisfactory to Mortgagee in the amount of the claim out of which the lien arises, (B) a cash deposit in the amount of the claim out of which the lien arises, or (C) other security reasonably satisfactory to Mortgagee in an amount sufficient to discharge the claim out of which the lien arises.

(f) Except as previously disclosed in writing to Mortgagee, Mortgagor represents and warrants that neither the Mortgaged Property nor any other land owned by Mortgagor is included or, to the best of Mortgagor's knowledge, proposed for inclusion on the National Priorities List issued pursuant to CERCLA (as hereinafter defined) by the United States Environmental Protection Agency (the "EPA") or on any database searched under the ASTM Standard Practice for Environmental Site Assessments and has not otherwise been identified by the EPA as a potential CERCLA site or included or, to the best of Mortgagor's knowledge, proposed for inclusion on any list or inventory issued pursuant to any other Environmental Statute, if any, or issued by any other Governmental Authority. Mortgagor represents and warrants that Mortgagor will comply with all

(g) For purposes of this paragraph 48, "Hazardous Material" shall include without limitation, any flammable explosives, radioactive materials, hazardous materials, hazardous wastes, hazardous or toxic substances, or related materials, asbestos or any material containing asbestos, or any other substance or material as defined by any Federal, state or local environmental law, ordinance, rule, or regulation including, without limitation, the Comprehensive Environmental Response, Compensation, and Liability Act of 1980, as amended (42 U.S.C. Sections 9601, et seq.) ("CERCLA"), the Hazardous Materials Transportation Act, as amended (49 U.S.C. Sections 1801, et seq.), the Resource Conservation and Recovery Act, as amended (42 U.S.C. Sections 6901 et seq.) and in the regulations adopted and publications promulgated pursuant to each of the foregoing (individually, an "Environmental Statute") or by any Federal, state or local governmental authority having or claiming jurisdiction over the Mortgaged Property (a "Governmental Authority").

(h) Following the occurrence of an Event of Default, and without regard to whether Mortgagee shall have taken possession of the Mortgaged Property or a receiver has been requested or appointed or any other right or remedy of Mortgagee has or may be exercised hereunder, Mortgagee shall have the right (but not obligation) to conduct such reasonable investigations, studies, sampling and/or testing of the Mortgaged Property or any part thereof as Mortgagee may, in its discretion, determine to conduct, relative to Hazardous Materials. All costs and expenses reasonably incurred in connection therewith including, without limitation, consultants' fees and disbursements and laboratory fees, shall be secured by this Mortgage, shall be immediately due and payable and shall bear interest at the Default Rate from the date paid by Mortgagee until reimbursed by Mortgagor.

49. No Merger. It is the intention of the parties hereto that if the Mortgagee shall at any time hereafter acquire title to all or any portion of the Mortgaged Property, then, and until the indebtedness secured hereby has been paid in full, the interest of the Mortgagee hereunder and the lien of this Mortgage shall not merge or become merged in or with the estate and interest of the Mortgagee as the holder and owner of title to all or any portion of the Mortgaged Property and that, until, such payment, the estate of the Mortgagee in the Mortgaged Property and the lien of this Mortgage and the interest of the Mortgagee hereunder shall continue in full force and effect to the same extent as if the Mortgagee had not acquired title to all or any portion of the Mortgaged Property.

50. Governing Law. In realizing upon the remedies set forth herein and in the creation of the liens and security

interests granted hereunder, this Mortgage shall be governed by and construed in accordance with the laws of the State in which the Premises is located.

51. Exculpation. Notwithstanding anything to the contrary contained in this Mortgage or the Other Security Documents, the obligations of Mortgagor hereunder shall be non-recourse subject to the exceptions, limitations and recourse events provided in Section 4.04 of the Note, the terms of which are incorporated herein.

52. Negative Covenants with Respect to Indebtedness and Fundamental Changes. Mortgagor hereby represents, warrants and covenants, as of the date hereof and until such time as the Debt is paid in full, that Mortgagor:

(a) will not dissolve or terminate or materially amend the terms of its certificate of incorporation, partnership agreement, articles of organization or operating agreement, as applicable;

(b) will not enter into any transaction of merger or

consolidation, or liquidate or dissolve itself (or suffer any liquidation or dissolution), or acquire by purchase or otherwise all or substantially all the business or assets of, or any stock or other evidence of beneficial ownership of, any entity;

(c) has not and will not guarantee or otherwise become liable on or in connection with any obligation of any other person or entity;

(d) does not own and will not own any encumbered asset other than (i) the Mortgaged Property, and (ii) incidental personal property necessary for the operation of the Mortgaged Property;

(e) is not engaged and will not engage, directly or indirectly, in any business other than the ownership, management and operation of the Mortgaged Property;

(f) will not enter into any contract or agreement with any member or general partner, as applicable, principal or affiliate of the Mortgagor or any affiliate of any member or general partner, as applicable, of the Mortgagor except upon terms and conditions that are intrinsically fair and substantially similar to those that would be available on an arms-length basis with third parties other than an affiliate;

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(g) has not incurred and will not incur any debt, secured or unsecured, direct or contingent (including guaranteeing any obligation), other than (i) the indebtedness secured hereby, and (ii) affiliate advances or trade payables or accrued expenses incurred in the ordinary course of business of operating the Mortgaged Property; no other debt may be secured (senior, subordinate or pari passu) by the Mortgaged Property;

(h) has not made and will not make any loans or advances to any third party (including any affiliate);

(i) is and will be solvent and pay its debt from its assets as the same shall become due;

(j) has done or caused to be done and will do all things necessary to preserve its existence; and will not do or cause to be done anything which will adversely affect Mortgagor's existence as a single purpose entity;

(k) will conduct and operate its business as presently conducted and operated;

(l) will maintain books and records and bank accounts separate from those of its affiliates, including its general partners and any members, as applicable;

(m) will be, and at all times will hold itself out to the public as, a legal entity separate and distinct from any other entity (including any affiliate thereof);

(n) will file its own tax returns;

(o) will maintain adequate capital for the normal obligations reasonably foreseeable in a business of its size and character and in light of its contemplated business operations;

(p) will not seek the dissolution or winding up, in whole or in part, of the Mortgagor;

(q) will not commingle the funds and other assets of the Mortgagor with those of any affiliate or any other person;

(r) has and will maintain its assets in such a manner that it is not costly or difficult to segregate, ascertain or identify its individual assets from those of any affiliate or any other person; and

(s) does not and will not hold itself out to be responsible for the debts or obligations of any other person.

53. Representations and Warranties. Mortgagor represents and warrants to Mortgagee:

(a) Mortgagor is not an "investment company," or a company "controlled" by an "investment company," as such terms are defined in the Investment Company Act of 1940, as amended;

(b) Mortgagor is in compliance in all material respects with all Federal, state and local laws, rules and regulations to which Mortgagor or the Mortgaged Property is subject;

(c) all financial data that has been delivered by Mortgagor to Mortgagee (i) is complete and correct in all material respects, (ii) accurately represents the financial condition of the persons or entities covered thereby as of the date on which the same shall have been furnished, and (iii) has been prepared in accordance with generally accepted accounting principles consistently applied (or such other accounting basis as is reasonably acceptable to Mortgagee) throughout the periods covered; as of the date hereof, neither Mortgagor nor, if Mortgagor is a partnership, any general partner of Mortgagor, had any contingent liability, liability for taxes or other unusual or forward commitment not reflected in the financial statements delivered to Mortgagee; since the date of the last financial statements delivered by Mortgagor to Mortgagee except as otherwise disclosed in such financial statements or notes thereto, there has been no change in the assets, liabilities or financial position of Mortgagor nor, if Mortgagor is a partnership, any general partner of Mortgagor, or in the results of operations of Mortgagor which would have a material adverse effect on Mortgagor or the Mortgaged Property; and neither Mortgagor nor, if Mortgagor is a partnership, any general partner of Mortgagor has incurred any obligation or liability, contingent or otherwise, not reflected in such financial statements which would have a material adverse effect on Mortgagor or the Mortgaged Property;

(d) no part of the proceeds of the loan evidenced by the Note will be used for the purpose of purchasing or acquiring any "margin stock" within the meaning of Regulations G, T, U or X of the Board of Governors of the Federal Reserve System or for any other purpose which would be inconsistent with such Regulations G, T, U or X or any other Regulations of such Board of Governors, or for any purposes prohibited by law;

(e) There are no actions, suits or proceedings pending or, to the best knowledge of the Mortgagor, threatened against or affecting Mortgagor or the Mortgaged Property in any court or before any governmental authority which if adversely determined may have a material adverse effect on Mortgagor or the Mortgaged Property. Mortgagor is not in default with respect to any order of any court or governmental authority and the execution and delivery of, and the performance by Mortgagor of its obligations under the Note, this Mortgage or the Other Security Documents will not cause or result in any such default;

(f) the original principal sum evidenced by the Note does not exceed one hundred twenty-five percent (125%) of the fair market value of the Mortgaged Property which, for purposes of this subparagraph (f), shall be reduced by the amount of any indebtedness secured by a lien affecting the Mortgaged Property that is prior to or on a parity with the lien of this Mortgage, and shall not include the value of any personal property or other property that is not "real property" within the meaning of Treas. Reg. ss.ss. 1.860G-2 and 1.856-3(d);

(g) the Premises has adequate rights of access to public ways and is served by adequate water, sewer, sanitary sewer and storm drain facilities, all public utilities necessary or convenient to the full use and enjoyment of the Mortgaged Property are located in the public right-of-way abutting the Premises, and all such utilities are connected so as to serve the Mortgaged Property

without passing over other property, except to the extent such other property is subject to a perpetual easement for such utility benefitting the Mortgaged Property and all roads necessary for the full utilization of the Mortgaged Property for its current purpose have been completed and dedicated to public use and accepted by all applicable governmental or quasi-governmental authorities;

(h) to the best knowledge of Mortgagor, the Improvements are not located in a federally designated flood hazard area;

(i) to the best of Mortgagor's knowledge, the Improvements are free of structural defects and all building systems contained therein are in good working order subject to ordinary wear and tear;

(j) there are no pending or, to Mortgagor's best knowledge, proposed special or other assessments for public improvements or otherwise affecting the Mortgaged Property, nor are there any contemplated improvements to the Mortgaged Property that may result in such special or other assessments;

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(k) Mortgagor has delivered a true, correct and complete copy of the Prime Lease affecting the Mortgaged Property as of the date hereof;

(l) the Prime Lease constitutes the legal, valid and binding obligation of Mortgagor and, to the best of Mortgagor's knowledge and belief, is enforceable against the Prime Tenant. No default exists, or with the passing of time or the giving of notice would exist, under the Prime Lease and the Prime Tenant has no defense, offset or counterclaim against Mortgagor or against Prime Tenant's obligations under the Prime Lease;

(m) the Prime Tenant has not as of the date hereof paid rent more than thirty (30) days in advance, and the rents under the Prime Lease have not been waived, released, or otherwise discharged or compromised;

(n) all work to be performed by Mortgagor under the Prime Lease has been performed, all contributions to be made by Mortgagor thereunder have been made and all other conditions precedent to the Prime Tenant's obligations thereunder have been satisfied;

(o) the Prime Tenant has entered into occupancy of the Premises; and

(p) to the best of Mortgagor's knowledge and belief, the Prime Tenant is free from bankruptcy, reorganization or arrangement proceedings or a general assignment for the benefit of creditors.

54. ERISA. (a) Mortgagor represents and warrants that, as of the date of this Mortgage and throughout the term of the Loan, (i) Mortgagor is not an "employee benefit plan" as defined in Section 3(3) of the Employee Retirement Income Security Act of 1974, as amended ("ERISA"), which is subject to Title I of ERISA, (ii) the assets of such Mortgagor do not constitute "plan assets" of one or more such plans within the meaning of 29 C.F.R. Section 2510.3-101, as of the date of this Mortgage and throughout the term of this Mortgage, (iii) Mortgagor is not a "governmental plan" within the meaning of Section 3(32) of ERISA, and (iv) transactions by or with Mortgagor are not subject to state statutes regulating investments of and fiduciary obligations with respect to governmental plans.

(b) Mortgagor covenants and agrees to deliver to Mortgagee such certifications or other evidence from time to time throughout the term of the Loan as requested by Mortgagee in its sole discretion, that (i) Mortgagor is not an "employee benefit plan" or a "governmental plan", (ii) Mortgagor is not subject to

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state statutes regulating investments and fiduciary obligations with respect to governmental plans, and (iii) one or more of the following circumstances is true:

1. equity interests in Mortgagor are publicly offered securities, within the meaning of 29 C.F.R. ss. 2510.3-101(b) (2);
2. less than 25% of all equity interests in such Mortgagor are held by "benefit plan investors" within the meaning of 29 C.F.R. ss. 2510.3-101(f) (2); or
3. Mortgagor qualifies as an "operating company" or a "real estate operating company" within the meaning of 29 C.F.R. ss. 2510.3.-101(c) or (e).

55. Repair and Remediation Reserve for Parking Lot.

(a) Prior to the execution of this Mortgage, Mortgagee has caused the Mortgaged Property to be inspected and such inspection has revealed that the parking lot in the Mortgaged Property is in need of certain maintenance, repairs and/or remedial or corrective work. Contemporaneously with the execution hereof, Mortgagor has established with Mortgagee a reserve in the amount of \$100,000 (the "Repair and Remediation Reserve") by depositing such amount with Mortgagee. Mortgagor shall cause that certain work with respect to the parking lot (the "Deferred Maintenance") to be completed, performed, remediated and corrected to the satisfaction of Mortgagee. So long as no Event of Default has occurred and is continuing, all sums in the Repair and Remediation Reserve shall be held by Mortgagee in the Repair and Remediation Reserve to pay the costs and expenses of completing the Deferred Maintenance. So long as no Event of Default has occurred and is continuing, Mortgagee shall, to the extent funds are available for such purpose in the Repair and Remediation Reserve, disburse to Mortgagor the amount paid or incurred by Mortgagor in completing, performing, remediating or correcting the Deferred Maintenance within (30) days following: (a) receipt by Mortgagee of a written request from Mortgagor for disbursement from the Repair and Remediation Reserve and a certification by Mortgagor in a form satisfactory to Mortgagee that the applicable item of Deferred Maintenance has been completed in accordance with the terms of this Mortgage; (b) delivery to Mortgagee of invoices, receipts or other evidence satisfactory to Mortgagee verifying the costs of the Deferred Maintenance; (c) delivery to Mortgagee of a certification from an inspecting architect, engineer or other consultant acceptable to Mortgagee describing the completed Deferred Maintenance, verifying the completion

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thereof and the value of the completed Deferred Maintenance and, if applicable, certifying that the Mortgaged Property is, as a result of such work, in compliance with all applicable laws, ordinances, rules and regulations relating to the Deferred Maintenance so performed; and (d) delivery to Mortgagee of affidavits, lien waivers or other evidence reasonably satisfactory to Mortgagee showing that all materialmen, laborers, subcontractors and any other parties who might or could claim statutory or common law liens and are furnishing or have furnished material or labor to the Mortgaged Property have been paid all amounts due for such labor and materials furnished to the Mortgaged Property. Mortgagee shall not be required to make advances from the Repair and Remediation Reserve more frequently than once in any thirty (30) day period. In making any payment from the Repair and Remediation Reserve, Mortgagee shall be entitled to rely on such request from Mortgagor without any inquiry into the accuracy, validity or contestability of any such amount.

(b) As additional security for the payment and performance by Mortgagor of all duties, responsibilities and obligations under the Note, this Mortgage and the Other Security Documents, Mortgagor hereby unconditionally and irrevocably assigns, conveys, pledges, mortgages, transfers, delivers, deposits, sets over and confirms unto Mortgagee, and hereby grants to Mortgagee a security interest in, (i) the accounts into which the Repair and Remediation Reserve has been deposited, (ii) all insurance of said accounts, (iii) all accounts, contract rights and general intangibles or other rights and interests pertaining thereto, (iv) all sums now or hereafter therein or represented thereby, (v) all replacements, substitutions or proceeds thereof, (vi) all instruments and documents now or hereafter evidencing the Repair and Remediation Reserve, (vii) all powers, options, rights, privileges and immunities pertaining to the Repair and Remediation Reserve (including the right to make withdrawals therefrom), and (viii) all proceeds of the foregoing. Mortgagor hereby authorizes and consents to the account into which the Repair and Remediation Reserve has been deposited being held in Mortgagee's name or the name of any entity servicing the Note for Mortgagee and hereby acknowledges and agrees that Mortgagee, shall have exclusive control over said account. Notice of the assignment and security

interest granted to Mortgagee herein may be delivered by Mortgagor at any time to the financial institution wherein the Repair and Remediation Reserve has been established, and Mortgagee, or such servicing entity, shall have possession of all passbooks or other evidences of such accounts. Mortgagor hereby assumes all risk of loss with respect to amounts on deposit in the Repair and Remediation Reserve. Mortgagor hereby knowingly, voluntarily and intentionally stipulates, acknowledges and agrees that the advancement of the funds from

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the Repair and Remediation Reserve as set forth herein is at Mortgagor's direction and is not the exercise by Mortgagee of any right of set-off or other remedy upon an Event of Default. Mortgagor hereby waives all right to withdraw funds from the Repair and Remediation Reserve. The Repair and Remediation Reserve shall not, unless otherwise explicitly required by applicable law, be or be deemed to be escrow or trust funds, but at Mortgagee's option and in Mortgagee's discretion, may either be held in a separate account or be commingled by Mortgagee with the general funds of Mortgagee. No interest on the funds contained in the Repair and Remediation Reserve shall be paid by Mortgagee to Mortgagor. The Repair and Remediation Reserve is solely for the protection of Mortgagee and Mortgagee has no responsibility beyond the payment of the costs and expenses described in this paragraph 55 in accordance with the terms hereof and beyond the allowing of due credit for the sums actually received. In the event that the amounts on deposit or available in the Repair and Remediation Reserve are inadequate to pay the costs of the Deferred Maintenance, Mortgagor shall pay the amount of such deficiency. Upon assignment of this Mortgage by Mortgagee, any funds in the Repair and Remediation Reserve shall be turned over to the assignee and any responsibility of Mortgagee, as assignor, with respect thereto shall terminate. If there is an Event of Default, Mortgagee may, but shall not be obligated to, apply at any time the balance then remaining in the Repair and Remediation Reserve against the Debt in whatever order Mortgagee shall subjectively determine. No such application of the Repair and Remediation Reserve shall be deemed to cure any Event of Default hereunder. Upon the earlier to occur of full payment of the Debt in accordance with its terms, the completion of the Deferred Maintenance to the satisfaction of the Mortgagee, or at such earlier time as Mortgagee may elect, the balance of the Repair and Remediation Reserve then in Mortgagee's possession shall be paid over to Mortgagor and no other party shall have any right or claim thereto.

Section 56. Intentionally Omitted.

Section 57. Prepayment. (a) Except as set forth in Section 57(b) hereof, no prepayment of the Debt may be made by Mortgagor in whole or in part.

(b) At any time subsequent to the third (3rd) anniversary of the date hereof, Mortgagor may prepay the Debt, in whole or, from time to time, in part, in accordance with the following provisions:

(i) Mortgagee shall have received from Mortgagor, not less than thirty (30) days', nor more than ninety (90) days', prior written notice specifying the date proposed for

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such prepayment (the "Prepayment Date"), which proposed date shall be a Payment Date (as defined in the Note).

(ii) Mortgagor shall also pay to Mortgagee all interest due through and including the day immediately prior to the Prepayment Date, together with any and all other amounts due and owing pursuant to the terms of the Note, this Mortgage or the Other Security Documents.

(iii) No Event of Default shall have occurred and be continuing.

(iv) Any partial prepayment of the Principal Amount (as defined in the Note) shall be applied to the installments of principal last due hereunder and shall not release or relieve Mortgagor from the obligation to pay the regularly scheduled installments of principal and interest becoming due under the Note.

(v) Mortgagor shall pay to Mortgagee on the Prepayment Date the following premium on the principal amount to be prepaid for the Loan Year in which the Prepayment Date occurs:

Loan Year	Premium
4-5	Greater of three percent (3%) and Yield Maintenance (as defined in the Note)
6-7	Greater of two percent (2%) and Yield Maintenance
7-10	Greater of one percent (1%) and Yield Maintenance

Section 58. Release of Mortgaged Property. (a) If Mortgagor makes a prepayment of the entire Debt or the Allocable Loan Amount as defined in and set forth in Exhibit D annexed hereto pursuant to Section 57(b) hereof or if Mortgagee applies Net Proceeds towards the repayment of the Debt or the Allocable Loan Amount as defined in and set forth in Exhibit D annexed hereto, Mortgagee shall, promptly, upon satisfaction of all the following terms and conditions, execute, acknowledge and deliver to Mortgagor a release of this Mortgage (a "Release") in recordable form:

(i) Mortgagee shall have received on the Prepayment Date an amount equal to the sum of one hundred percent

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(100%) of the amount listed as the "beginning balance" due as of the Prepayment Date as set forth on Schedule A-1 [or A-2 as applicable] of the Note, together with all other sums due and owing hereunder and, in the event of a prepayment pursuant to Section 57(b) hereof, the premium due pursuant to Section 57 hereof.

(ii) Mortgagor shall, at its sole expense, prepare any and all documents and instruments necessary to effect the Release, all of which shall be subject to the reasonable approval of Mortgagee, and Mortgagor shall pay all costs reasonably incurred by Mortgagee (including, but not limited to, reasonable attorneys' fees and disbursements, title search costs or endorsement premiums) in connection with the review, execution and delivery of the Release.

(b) Mortgagor may request a Release of a portion of the Premises described in Exhibit E annexed hereto (the "Out Parcel") and Mortgagee shall release the Out Parcel provided that the Out Parcel is a parcel and/or a building which is legally and physically separate and, if a building, freestanding from the Improvements presently located on the Premises and secured by this Mortgage, and further provided that the following conditions are met:

(i) No Default shall have occurred and be continuing.

(ii) The Out Parcel shall be designated by a metes and bounds description and a survey reasonably satisfactory to Mortgagee.

(iii) Mortgagor shall have caused the Out Parcel to be a separate parcel of land for all subdivision, zoning, and taxing purposes.

(iv) At Mortgagor's sole cost and expense, Mortgagor shall cause to be provided a title policy endorsement to the Mortgagee's lenders' title insurance policy to the effect that the release of the Out Parcel will not have an adverse affect on the priority of the lien of this Mortgage with respect to the portion of the Mortgaged Property remaining after the Release.

(v) Mortgagor shall, at its sole cost and expense, prepare any and all documents and instruments necessary to effect the release of the Out Parcel, all of which shall be subject to the reasonable approval of Mortgagee, and Mortgagor shall pay all costs reasonably incurred by Mortgagee (including, but not limited to,

reasonable attorneys' fees and disbursements, title search costs and endorsement premiums) in connection with the review, execution and delivery of such release.

(vi) All agreements and instruments to be delivered to Mortgagee pursuant to this Section 58(b) shall be in form and substance reasonably satisfactory to Mortgagee and its counsel.

No release price or other consideration shall be payable by Mortgagor to Mortgagee in connection with a release of an Out Parcel made in accordance with the provisions of this Section 58(b).

Section 59. Capital Repair, Maintenance and Replacement Reserve.

(a) As additional security for the Debt, Mortgagor shall establish and maintain at all times while this Mortgage continues in effect a repair reserve (the "Replacement Reserve") with Mortgagee for payment of costs and expenses incurred by Mortgagor in connection with the performance of work to Improvements, including but not limited to the roofs, chimneys, gutters, downspouts, paving, curbs, ramps, driveways, balconies, porches, patios, exterior walls, exterior doors and doorways, windows, elevators and mechanical and HVAC equipment, except the chillers (collectively, the "Repairs"). Commencing on the first monthly payment date under the Note and continuing thereafter on each monthly payment date under the Note, Mortgagor shall pay to Mortgagee, concurrently with and in addition to the monthly payment due under the Note and until the Debt is fully paid and performed, a deposit to the Replacement Reserve in an amount equal to \$13,000.00 per month. So long as no default hereunder or under the Other Security Documents has occurred and is continuing, all sums in the Replacement Reserve shall be held by Mortgagee in the Replacement Reserve to pay the costs and expenses of Repairs. So long as no default hereunder or under the Other Security Documents has occurred and is continuing, Mortgagee shall, to the extent funds are available for such purpose in the Replacement Reserve, disburse to Mortgagor the amount paid or incurred by Mortgagor in performing such Repairs within ten (10) days following: (a) the receipt by Mortgagee of a written request from Mortgagor for disbursement from the Replacement Reserve and a certification by Mortgagor in a form approved in writing by Mortgagee that the applicable item of Repair has been completed; (b) the delivery to Mortgagee of invoices, receipts or other evidence satisfactory to Mortgagee, verifying the cost of performing the Repairs; (c) for disbursement requests in excess of \$50,000.00, the delivery to

Mortgagee of affidavits, lien waivers or other evidence reasonably satisfactory to Mortgagee showing that all materialmen, laborers, subcontractors and any other parties who might or could claim statutory or common law liens and are furnishing or have furnished material or labor to the Mortgaged Property have been paid all amounts due for labor and materials furnished to the Mortgaged Property; (d) for disbursement requests in excess of \$50,000.00, delivery to Mortgagee of a certification from an inspecting architect or other third party acceptable to Mortgagee describing the completed Repairs and verifying the completion of the Repairs and the value of the completed Repairs; and (e) for disbursement requests in excess of \$50,000.00, delivery to Mortgagee of a new certificate of occupancy for the portion of the Improvements covered by such Repairs, if said new certificate of occupancy is required by law, or a certification by Mortgagor that no new certificate of occupancy is required. Mortgagee shall not be required to make advances from the Replacement Reserve more frequently than once in any ninety (90) day period. In making any payment from the Replacement Reserve, Mortgagee shall be entitled to rely on such request from Mortgagor without any inquiry into the accuracy, validity or contestability of any such amount. Mortgagee may, at Mortgagor's expense, make or cause to be made during the term of this Mortgage an annual inspection of the Mortgaged Property to determine the need, as determined by Mortgagee in its reasonable judgment, for further Repairs of the Mortgaged Property. In the event that such inspection reveals that further Repairs of the Mortgaged Property are required, Mortgagee shall provide Mortgagor with a written description of the

required Repairs and Mortgagor shall complete such Repairs to the reasonable satisfaction of Mortgagee within ninety (90) days after the receipt of such description from Mortgagee, or such later date as may be approved by Mortgagee in its sole discretion. The Replacement Reserve shall not, unless otherwise explicitly required by applicable law, be or be deemed to be escrow or trust funds, but, at Mortgagee's option and in Mortgagee's discretion, may either be held in a separate account or be commingled by Mortgagee with the general funds of Mortgagee. Interest on the funds contained in the Replacement Reserve shall be credited to Mortgagor as provided in Subsection (c) hereof. The Replacement Reserve is solely for the protection of Mortgagee and entails no responsibility on Mortgagee's part beyond the payment of the costs and expenses described in this Section in accordance with the terms hereof and beyond the allowing of due credit for the sums actually received. In the event that the amounts on deposit or available in the Replacement Reserve are inadequate to pay the cost of the Repairs, Mortgagor shall pay the amount of such deficiency. Upon assignment of this Mortgage by Mortgagee, any funds in the Replacement Reserve shall be turned over to the assignee and any responsibility of Mortgagee, as assignor, with

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respect thereto shall terminate. If there is a default under this Mortgage or any of the Other Security Documents which is not cured within any applicable grace or cure period, Mortgagee may, but shall not be obligated to, apply at any time the balance then remaining in the Replacement Reserve against the Debt in whatever order Mortgagee shall subjectively determine. No such application of the Replacement Reserve shall be deemed to cure any default hereunder. Upon full payment of the Debt in accordance with its terms or at such earlier time as Mortgagee may elect, the balance of the Replacement Reserve then in Mortgagee's possession shall be paid over to Mortgagor and no other party shall have any right or claim thereto.

(b) As additional security for the payment and performance by Mortgagor of all duties, responsibilities and obligations under the Note and the Other Security Documents, Mortgagor hereby unconditionally and irrevocably assigns, conveys, pledges, mortgages, transfers, delivers, deposits, sets over and confirms unto Mortgagee, and hereby grants to Mortgagee a security interest in, (i) the Replacement Reserve (collectively, the "Reserves"), (ii) the accounts into which the Reserves have been deposited, (iii) all insurance on said accounts, (iv) all accounts, contract rights and general intangibles or other rights and interests pertaining thereto, (v) all sums now or hereafter therein or represented thereby, (vi) all replacements, substitutions or proceeds thereof, (vii) all instruments and documents now or hereafter evidencing the Reserves or such accounts, (viii) all powers, options, rights, privileges and immunities pertaining to the Reserves (including the right to make withdrawals therefrom), and (ix) all proceeds of the foregoing. Mortgagor hereby authorizes and consents to the account into which the Reserves have been deposited being held in Mortgagee's name or the name of any entity servicing the Note for Mortgagee and hereby acknowledges and agrees that Mortgagee, or at Mortgagee's election, such servicing agent, shall have exclusive control over said account. Notice of the assignment and security interest granted to Mortgagee herein may be delivered by Mortgagee at any time to the financial institution wherein the Reserves have been established, and Mortgagee, or such servicing entity, shall have possession of all passbooks or other evidences of such accounts. Mortgagor hereby assumes all risk of loss with respect to amounts on deposit in the Reserves. Mortgagor hereby knowingly, voluntarily and intentionally stipulates, acknowledges and agrees that the advancement of the funds from the Reserves as set forth herein is at Mortgagor's direction and is not the exercise by Mortgagee of any right of set-off or other remedy upon a default. Mortgagor hereby waives all right to withdraw funds from the Reserves except as provided for in this Mortgage. If a default shall occur hereunder or under any other of the Other Security

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Documents which is not cured within any applicable grace or cure period, then Mortgagee may, without notice or demand on Mortgagor, at its option: (A) withdraw any or all of the funds (including, without limitation, interest) then remaining in the Reserves and apply the same, after deducting all costs and expenses of safekeeping, collection and delivery (including, but not limited to, reasonable attorneys' fees, costs and expenses) to the Debt or any other obligations of Mortgagor under the Other Security Documents in such manner as

Mortgagee shall deem appropriate in its sole discretion, and the excess, if any, shall be paid to Mortgagor, (B) exercise any and all rights and remedies of a secured party under any applicable Uniform Commercial Code, or (C) exercise any other remedies available at law or in equity. No such use or application of the funds contained in the Reserves shall be deemed to cure any default hereunder or under the Other Security Documents.

(c) Mortgagee shall cause funds in the Replacement Reserve to be deposited into interest bearing accounts of the type customarily maintained by Mortgagee or its servicing agent for the investment of similar reserves, which accounts may not yield the highest interest rate then available. Interest payable on such amounts shall be computed based on the daily outstanding balance in the Replacement Reserve. Such interest shall be calculated on a simple, non-compounded interest basis based solely on contributions made to the Replacement Reserve by Mortgagor. All interest earned on amounts contributed to the Replacement Reserve shall be retained by Mortgagee and accumulated for the benefit of Mortgagor and added to the balance in the Replacement Reserve and shall be disbursed for payment of the items for which other funds in the Replacement Reserve are to be disbursed.

Section 60. Intentionally Omitted

Section 61. Certain Matters Relating to Mortgaged Property Located in the Commonwealth of Massachusetts. With respect to the Mortgaged Property which is located in the Commonwealth of Massachusetts, notwithstanding anything contained herein:

This Mortgage is upon the STATUTORY CONDITION and upon the further condition that all covenants and agreements contained herein and in the Note shall be kept and fully performed, for any breach of which the Mortgagee shall have the STATUTORY POWER OF SALE.

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IN WITNESS WHEREOF, Mortgagor has duly executed this Mortgage as of the day and year first above written.

QUANTUM PERIPHERALS REALTY CORPORATION,
Mortgagor

By: \s\Andrew Kryder

 Name: Andrew Kryder
 Title: President

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QUANTUM PERIPHERALS REALTY CORPORATION
(Grantor)

to

PUBLIC TRUSTEE OF BOULDER COUNTY, COLORADO
As Trustee for the benefit of

CS FIRST BOSTON MORTGAGE CAPITAL CORP.
(Beneficiary)

DEED OF TRUST AND SECURITY AGREEMENT

Dated: As of September 10, 1996

RECORD AND RETURN TO:

Brown & Wood LLP
One World Trade Center
57th Floor
New York, New York 10048
Attention: David J. Weinberger, Esq.

THIS Deed of Trust AND SECURITY AGREEMENT (hereinafter referred to as "Deed of Trust") made as of the 10th day of September, 1996, by QUANTUM PERIPHERALS REALTY CORPORATION, a Delaware corporation having an address at 500 McCarthy Boulevard, Milpitas, California 95035 (hereinafter referred to as "Grantor"), to Public Trustee of Boulder County, Colorado, as Trustee ("Trustee"), for the benefit of CS FIRST BOSTON MORTGAGE CAPITAL CORP., a Delaware corporation, having its principal place of business at 55 East 52nd Street, New York, New York 10055 (hereinafter referred to as "Beneficiary").

W I T N E S E T H:

To secure the payment of an indebtedness in the principal sum of FIFTEEN MILLION SEVEN HUNDRED EIGHTY NINE THOUSAND FOUR HUNDRED SEVENTY THREE AND SIXTY EIGHT/100 DOLLARS (\$15,789,473.68) in lawful money of the United States of America, to be paid with interest according to a certain note dated the date hereof made by Grantor to Beneficiary the entire outstanding amount of which shall be due and payable on October 1, 2006 (the note together with all extensions, renewals or modifications thereof being hereinafter collectively called the "Note") (said indebtedness, interest and all other sums which may or shall become due hereunder and under the Note being hereinafter collectively referred to as the "Debt") and the performance and observance of and compliance with each and every obligation, covenant, warranty, agreement, term, provision and condition conferred in this Deed of Trust, Grantor has mortgaged, given, granted, bargained, sold, aliened, enfeoffed, conveyed, confirmed, pledged, hypothecated and assigned, and by these presents does hereby mortgage, give, grant, bargain, sell, alien, enfeoff, convey, confirm, pledge, hypothecate and assign unto Trustee for the benefit of Beneficiary with Deed of Trust Covenants all right, title and interest of Grantor now owned, or hereafter acquired, in and to all of the following property rights, interests and estates (collectively the "Trust Property"):

(a) the plots, pieces or parcels of property described in Exhibit A attached hereto and made a part hereof (the "Premises");

(b) (i) all buildings, structures, fixtures, additions, enlargements, extensions, modifications, repairs, replacements and improvements now or hereafter located on the Premises (the "Improvements");

(c) all easements, rights-of-way, strips and gores of land, streets, ways, alleys, passages, sewer rights, water,

water courses, water rights and powers, air rights and development rights, and all estates, rights, titles, interests, privileges, liberties, tenements, hereditaments and appurtenances of any nature whatsoever, in any way belonging, relating or pertaining to the Premises or the Improvements and the reversion and reversions, remainder and remainders, and all land lying in the bed of any street, road or avenue, opened or proposed, in front of or adjoining the Premises to the center line thereof and all the estates, rights, titles, interests, dower and rights of dower, curtesy and rights of curtesy, property, possession, claim and demand whatsoever, both at law and in equity, of Grantor of, in and to the Premises and the Improvements and every part and parcel thereof, with the appurtenances thereto;

(d) all machinery, equipment, fixtures (including but not limited to all heating, air conditioning, plumbing, lighting, communications and elevator fixtures), and articles of personal property and accessions thereof and renewals, replacements thereof and substitutions therefor and other property of every kind and nature, whatsoever owned by Grantor, or in which Grantor has or shall have an interest, now or hereafter located upon the Premises or the Improvements, or appurtenant thereto, and usable in connection with the present or future operation and occupancy of the Premises or the Improvements and all building equipment, materials and supplies of any nature whatsoever owned by Grantor, or in which Grantor has or shall have an interest, now or hereafter located upon the Premises or the Improvements, or appurtenances thereto, or used in connection with the present or future operation of the Premises or the Improvements but excluding machinery, equipment and other personal property owned by and used by the Prime Tenant (hereinafter defined) and any assignee or sublessee thereof in the conduct of its business therein (the "Equipment");

(e) all awards or payments, including interest thereon, which may heretofore and hereafter be made with respect to the Premises, the Improvements or the Equipment, to the extent actually received by Grantor, on account of the exercise of the right of eminent domain or condemnation (including but not limited to any transfer of the Trust Property or part thereof made in lieu of or in anticipation of the exercise of said rights), or for a change of grade, or for any other injury to or decrease in the value of the Premises, the Improvements or the Equipment resulting therefrom;

(f) all leases including, without limitation, the Prime Lease (hereinafter defined) and all guarantees thereof and other agreements affecting the use, enjoyment or occupancy of the Premises, the Improvements or the Equipment now or hereafter entered into (the "Leases") and all income, rents, profits and revenues (including, without limitation, all oil and gas or other mineral royalties and bonuses) from the Premises, the Improvements or the Equipment (the "Rents") and all proceeds from the sale or other disposition of the Leases and the right to receive and apply the Rents to the payment of the Debt;

(g) all proceeds of and any unearned premiums on any insurance

policies covering the Premises, the Improvements or the Equipment, including, without limitation, the right to receive and apply the proceeds of any insurance, judgments, or settlements made in lieu thereof, for damage to the Premises, the Improvements or the Equipment;

(h) all right, title and interest of every nature of the Grantor in all monies deposited or to be deposited in any funds or account maintained or deposited with Beneficiary, or its assigns, in connection herewith;

(i) all accounts receivable, contract rights, franchises, interests, estate or other claims, both at law and in equity, relating to the Premises, the Improvements or the Equipment;

(j) all claims against any person or entity with respect to any damage to the Premises, the Improvements, or Equipment including, without limitation, damage arising from any defect in or with respect to the design or construction of the Improvements, or the Equipment and any damage resulting therefrom;

(k) all deposits or other security or advance payments, including rental payments made by or on behalf of the Grantor to others, with respect to (i) insurance policies, (ii) utility services, (iii) cleaning, maintenance, repair or similar services, (iv) refuse removal or sewer service, (v) parking or similar services or rights and (vi) rental of Equipment, if any, relating to or otherwise used in the operation of the Premises, Improvements, or Equipment;

(l) all advertising material, guaranties, warranties, building permits, other permits, licenses, plans and specifications, shop and working drawings, soil tests, appraisals and other documents, materials and/or personal

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property of any kind now or hereafter existing in or relating to the Premises, Improvements, and Equipment;

(m) all drawings, designs, plans and specifications prepared by the architects, engineers, interior designers, landscape designers and any other consultants or professionals for the design, development, construction, repair and/or improvement of the Premises or the Improvements, as amended from time to time; and

(n) all proceeds of each of the foregoing.

TO HAVE AND TO HOLD the above granted and described Trust Property unto and for the proper use and benefit of Beneficiary and Beneficiary's successors, substitutes and assigns, forever.

PROVIDED, ALWAYS that these presents are upon this express condition, if Grantor shall well and truly pay to Beneficiary the Debt at the time and in the manner provided in the Note and this Deed of Trust and shall well and truly abide by and comply with each and every covenant and condition set forth herein and in the Note in a timely manner, then these presents and the estate hereby granted shall cease, terminate and be void.

AND Grantor covenants with and warrants to Beneficiary that:

1. Payment of Debt and Incorporation of Covenants, Conditions and Agreements. Grantor will pay, or will cause to be paid, the Debt at the time and in the manner provided in the Note and in this Deed of Trust. All the covenants, conditions and agreements contained in (a) the Note and (b) all and any of the documents other than the Note or this Deed of Trust now or hereafter executed by Grantor and/or others and by or in favor of Beneficiary, which wholly or partially evidence, secure or guaranty payment of the Note or which are otherwise executed and/or delivered in connection with the Note and this Deed of Trust (the "Other Security Documents"), are hereby made a part of this Deed of Trust to the same extent and with the same force as if fully set forth herein.

2. Warranty of Title. Grantor warrants that Grantor has good and indefeasible title to the Trust Property and that Grantor (and the undersigned representative of Grantor) has the right to mortgage, give, grant, bargain, sell, alien, enfeoff, convey, confirm, pledge, assign and hypothecate the same pursuant to the terms hereof and to keep and perform all of the terms of this Deed of Trust on Grantor's part to be performed and that Grantor possesses an unencumbered fee estate in the Premises and the Improvements and that it owns

the Trust Property free and clear of all liens, encumbrances and charges whatsoever except

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for the Prime Lease and those exceptions shown in the title insurance policy insuring the lien of this Deed of Trust (the "Permitted Encumbrances"). Grantor shall forever warrant, defend and preserve such title and the validity and priority of the lien of this Deed of Trust and shall forever warrant and defend the same to Beneficiary against the claims of all persons whomsoever.

3. Insurance. (a) Subject to the provisions of paragraph 3(g) hereof, Grantor will, or will cause Prime Tenant (hereinafter defined) to, at its sole cost and expense, maintain insurance of the following types:

(i) Insurance against loss or damage by fire, casualty and other hazards included in an "all-risk" extended coverage endorsement, including, but not limited to, riot and civil commotion, malicious mischief, vandalism, windstorm or earthquake, with such additional endorsements as the Beneficiary may from time to time reasonably require and which are customarily required by institutional Beneficiaries of similar properties similarly situated, covering the Improvements and Equipment ("Insured Property") in an amount not less than the greater of (i) 100% of the insurable replacement value of the Insured Property (exclusive of the Premises' footings and foundations) and (ii) such other amount as is necessary to prevent any reduction in such policy by reason of and to prevent Grantor, Beneficiary or any other insured thereunder from being deemed to be a co-insurer with loss payable to Beneficiary;

(ii) Commercial comprehensive general liability insurance against claims for personal and bodily injury and/or death to one or more persons or property damage, occurring on, in or about the Trust Property (including the adjoining streets, sidewalks and passageways therein) in an amount not less than \$10,000,000;

(iii) Business interruption insurance with loss payable to Beneficiary in an amount not less than 100% of the actual fixed or base rent plus percentage rent and all expenses of the Trust Property which the Prime Tenant shall be obligated to pay or reimburse under the Prime Lease for the succeeding twelve (12) month period with respect to the Trust Property;

(iv) Insurance against loss or damages with loss payable to Beneficiary from (i) leakage of sprinkler systems and (ii) explosion of steam boilers, air conditioning equipment, pressure vessels or similar apparatus now or thereafter installed at the Premises, in such amounts as the Beneficiary may from time to time reasonably require and

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which are then customarily required by institutional lenders of similar properties similarly situated;

(v) Flood insurance in an amount equal to the full insurable value of the Insured Property if it is located in an area designated by the Secretary of Housing and Urban Development as being "an area of special flood hazard" under the National Flood Insurance Program (i.e., having a one percent or greater chance of flooding), and if flood insurance is available under the National Flood Insurance Act;

(vi) Worker's compensation insurance or other similar insurance which may be required by law;

(vii) During the period when any addition, alteration, construction, installation or demolition is being made to any part of the Improvements, contingent liability, public liability, completed value builder's risk (non-reporting form), worker's compensation and other insurance as is customarily maintained in respect of property similar to the Trust Property under similar circumstances; and

(viii) Such other insurance as may from time to time be required by Beneficiary and which is then customarily required by institutional lenders of similar properties similarly situated.

Grantor shall pay the premiums or cause Prime Tenant to pay the premiums (the "Insurance Premiums") for such insurance as same become due and payable except for the insurance premiums related to the Prime Lease Casualty Insurance, which Grantor shall pay on or before the date hereof. All policies of insurance (the "Policies") shall be issued by an insurer authorized to do business in the state where the Premises are located and acceptable to Beneficiary and having a "claims paying ability" of "A" from at least two nationally recognized statistical organizations (each, a "Rating Agency"). Grantor will assign and deliver the Policies to Beneficiary. No policy shall have a deductible in excess of \$150,000. Not later than thirty (30) days prior to the expiration date of each of the Policies, Grantor will deliver to Beneficiary satisfactory evidence of the renewal of each of the Policies. If at any time Beneficiary is not in receipt of written evidence that all insurance required hereunder is in full force and effect, Beneficiary shall have the right without notice to Grantor to take such action as Beneficiary deems necessary to protect its interest in the Trust Property, including without limitation the obtaining of such insurance coverage as Beneficiary in its sole discretion deems appropriate, and all expenses incurred by Beneficiary in connection with such action

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or in obtaining such insurance and keeping it in effect shall be paid by Grantor to Beneficiary upon demand. If Beneficiary shall receive and retain such insurance money, the lien of this Deed of Trust shall be reduced only by the amount thereof received after expenses of collection and retained by Beneficiary and actually applied by Beneficiary in reduction of the Debt.

(b) All of the Policies shall (i) contain a standard noncontributory form of mortgagee clause (in favor of the Beneficiary and entitling the Beneficiary to collect any and all proceeds payable under such insurance), as well as a standard waiver of subrogation endorsement, and in the case of such liability policy, name the Beneficiary as an additional insured, all to be in form and substance satisfactory to the Beneficiary; (ii) provide that such policies may not be cancelled or amended to diminish the coverage thereunder without at least thirty (30) days prior written notice to the Beneficiary; and (iii) provide that no act, omission or negligence of the Grantor, or its agents, servants or employees, or of any tenant under any Lease, which might otherwise result in a forfeiture of such insurance or any part thereof, shall in any way affect the validity or enforceability of such insurance insofar as the Beneficiary is concerned. Grantor shall not carry separate insurance, concurrent in kind or form or contributing in the event of loss, with any insurance required under this paragraph 3.

(c) If the Insured Property shall be damaged or destroyed, in whole or in part, by fire or other casualty, Grantor shall give prompt written notice thereof to Beneficiary. If Beneficiary determines that less than seventy-five percent (75%) of the reasonably estimated aggregate insurable value of the Insured Property is damaged or destroyed, the net amount of all insurance proceeds received by Beneficiary with respect to such damage or destruction after deduction of the reasonable costs and expenses incurred by Beneficiary in collecting the same (the "Net Proceeds") shall be disbursed by Beneficiary in accordance with the terms and conditions set forth herein to pay for the costs and expenses of the Restoration (hereinafter defined) provided (i) no Event of Default has occurred and remains uncured under this Deed of Trust, the Note or any of the Other Security Documents, (ii) Grantor proceeds promptly with the restoration, replacement, rebuilding or repair of the Insured Property as nearly as possible to the condition and size the Insured Property was in immediately prior to such fire or other casualty (the "Restoration"), (iii) the Restoration shall be done in compliance with all applicable laws, rules and regulations, (iv) a set of the plans and specifications in connection with the Restoration shall be submitted to Beneficiary and shall be satisfactory to Beneficiary in all material respects, (v) all costs and expenses incurred by Beneficiary in connection with making the Net

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Proceeds available for the Restoration of the Insured Property including, without limitation, counsel fees and inspecting engineer fees incurred by Beneficiary, shall be paid by Grantor, and (vi) no Leases are terminated as a result of such fire or other casualty and the Prime Tenant continues to pay rent, additional rent and all other amounts under the Prime Lease unabated and uninterrupted. Notwithstanding the foregoing, if, upon the occurrence of a casualty, the cost of Restoration is \$200,000 or less, Lessee shall be entitled to receive the Net Proceeds from the insurer and apply the same to Restoration subject to the conditions of clauses (i), (ii), (iii) and (vi) of the preceding sentence. If Beneficiary determines that more than seventy-five percent (75%) of the reasonably estimated aggregate insurable value of the Insured Property is damaged or destroyed, or if such damage or destruction is the result of a Prime Lease Casualty, Beneficiary shall have the option, in its sole discretion, to apply the Net Proceeds to the payment of the Debt or to allow such Net Proceeds to be applied towards the Restoration in accordance with the terms hereof.

(d) Except as otherwise provided in (c) above, the Net Proceeds shall be held in trust by Beneficiary without interest thereon and, if the Net Proceeds are to be applied towards the Restoration, shall be paid by Beneficiary to, or as directed by, Grantor from time to time during the course of the Restoration, upon receipt of evidence, satisfactory to Beneficiary, that (i) all materials installed and work and labor performed (except to the extent they are to be paid for out of the requested payment) in connection with the Restoration have been paid in full (ii) no notices of intention, mechanics' or other liens or encumbrances on the Trust Property arising out of the Restoration exist, and (iii) the balance of the Net Proceeds plus the balance of any deficiency deposits given by Grantor to Beneficiary pursuant to the provisions of this paragraph shall be sufficient to pay in full the balance of the cost of the Restoration. If at any time the Net Proceeds, or the undisbursed balance thereof, shall not, in the reasonable opinion of Beneficiary, be sufficient to pay in full the balance of the cost of the Restoration, Grantor shall deposit the deficiency with Beneficiary before any further disbursement of the Net Proceeds shall be made.

(e) The excess, if any, of the Net Proceeds after payment to Grantor as provided herein shall be applied by Beneficiary in reduction of the Debt in such priority and proportions as Beneficiary in its sole discretion shall deem proper. Notwithstanding anything to the contrary contained herein, if the Net Proceeds shall be less than \$50,000.00, then only one disbursement shall be made, which disbursement shall be made upon the completion of the Restoration to the satisfaction of Beneficiary.

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(f) Any amount of the Net Proceeds received by Beneficiary and not required or permitted by Beneficiary, in its sole discretion, to be disbursed for the Restoration pursuant to the provisions of this paragraph may, in Beneficiary's discretion, be either (i) retained and applied by Beneficiary toward the payment of the Debt whether or not then due and payable in such priority and proportions as Beneficiary in its discretion shall deem proper, or (ii) paid in whole or in part to Grantor for such purposes as Beneficiary shall designate. If Beneficiary shall receive and retain such insurance proceeds, the lien of this Deed of Trust shall be reduced only by the amount thereof received and retained by Beneficiary and actually applied by Beneficiary in reduction of the Debt.

(g) Notwithstanding anything contained in this paragraph 3 to the contrary, so long as (i) the party set forth as tenant ("Prime Tenant") under that certain lease of the Premises more particularly described in Exhibit B hereto (the "Prime Lease") is the sole tenant of the entire Premises pursuant to the Prime Lease, (ii) the Prime Lease is in full force and effect, and (iii) no default or event which with the passing of time or the giving of notice would become a default has occurred under the Prime Lease, then upon the occurrence of a fire or other casualty to the Insured Property, the provisions of Article XV of the Prime Lease shall control.

4. Payment of Impositions, etc. Grantor shall pay, or shall cause Prime Tenant to pay, all taxes, assessments, water rates and sewer rents, now or hereafter levied or assessed or imposed against the Trust Property or any part thereof and all ground rents, maintenance charges and, other governmental impositions, other charges, including without limitation vault charges and license fees for the use of vaults, chutes and similar areas adjoining the Premises, now or hereafter levied or assessed or imposed against the Trust Property or any part thereof (collectively, the "Impositions") as same become due and payable. Grantor will deliver to Beneficiary, upon request, evidence reasonably satisfactory to Beneficiary that the Impositions and all other charges, fees and impositions are not delinquent. Grantor shall not suffer and

shall promptly cause to be paid and discharged, any lien or charge whatsoever which may be or become a lien or charge against the Trust Property, and shall promptly pay for, or cause to be paid, all utility services provided to the Trust Property. Upon the request of Beneficiary, Grantor shall furnish to Beneficiary reasonable evidence of the payment of the Impositions prior to the date that such Impositions would become delinquent and receipts for the payment of the Impositions prior to the date the same shall become delinquent or as soon thereafter as available. After prior written notice to Beneficiary, Grantor, at its own expense, may

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contest by appropriate legal proceeding, promptly initiated and conducted in good faith and with due diligence, the amount or validity or application in whole or in part of any of the Impositions, provided that (i) Grantor is not in default under the Note or this Deed of Trust, (ii) such proceedings shall suspend the collection of the Impositions from Grantor and from the Trust Property, (iii) such proceeding shall be permitted under and be conducted in accordance with the provisions of any other instrument to which Grantor is subject and shall not constitute a default thereunder, (iv) neither the Trust Property nor any part thereof or interest therein will be in danger of being sold, forfeited, terminated, cancelled or lost, (v) Grantor shall have set aside adequate reserves for the payment of the Impositions, together with all interest and penalties thereon, and (vi) Grantor shall have furnished such security as may be required in the proceeding, or as may be requested by Beneficiary to insure the payment of any such Impositions, together with all interest and penalties thereon; provided, however, so long as (a) the Prime Tenant is the sole tenant of the entire Premises pursuant to the Prime Lease, (b) the Prime Lease is in full force and effect and (c) no default beyond applicable notice and grace period, has occurred under the Prime Lease, the Prime Tenant may contest any Imposition in accordance with the terms of the Prime Lease and the provisions of clauses (i) through (vi) of this paragraph 4.

5. Escrow Fund. Grantor shall, or shall cause Prime Tenant to, pay to Beneficiary on the first day of each calendar month (a) one-twelfth of an amount which would be sufficient to pay the Impositions payable, or estimated by Beneficiary to be payable, during the next ensuing twelve (12) months and (b) one-twelfth of an amount which would be sufficient to pay the Insurance Premiums due for the renewal of the coverage afforded by the Policies upon the expiration thereof (said amounts in (a) and (b) above hereinafter called the "Escrow Fund"). The Escrow Fund and the payments of interest or principal or both, payable pursuant to the Note shall be added together and shall be paid as an aggregate sum by Grantor to Beneficiary. Grantor hereby pledges to Beneficiary any and all monies now or hereafter deposited in the Escrow Fund as additional security for the payment of the Debt. Upon receipt of evidence, satisfactory to Beneficiary, that proves that the Impositions and Insurance Premiums and any other items for which sums have been deposited by Grantor into the Escrow Fund have been paid in full, and provided that no Event of Default (hereinafter defined) has occurred hereunder, Beneficiary shall, on each January 1 after the date hereof credit any excess funds in the Escrow Fund against future payments to be made to the Escrow Fund. In allocating such excess, Beneficiary may deal with the person shown on the records of Beneficiary to be the owner of the Trust

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Property. If the Escrow Fund is not sufficient to pay the items set forth in (a) and (b) above, Grantor shall promptly pay to Beneficiary, upon demand, an amount which Beneficiary shall estimate as sufficient to make up the deficiency. Upon the occurrence of an Event of Default, Beneficiary may apply any sums then present in the Escrow Fund to the payment of the following items in any order in its uncontrolled discretion:

- (i) Impositions and other charges;
- (ii) Insurance Premiums;
- (iii) interest on the unpaid principal balance of the Note;
- (iv) amortization of the unpaid principal balance of the Note;

(v) maintenance of the Trust Property; and

(vi) all other sums payable pursuant to the Note, this Deed of Trust and the Other Security Documents, including without limitation advances made by Beneficiary pursuant to the terms of this Deed of Trust.

Until expended or applied as above provided, any amounts in the Escrow Fund shall constitute additional security for the Debt. In accepting the Escrow Fund, Beneficiary is not consenting to act as Grantor's agent for the payment of Impositions or Insurance Premiums and the Escrow Fund shall not constitute a trust fund and may be commingled with other monies held by Beneficiary. No earnings or interest on the Escrow Fund shall be payable to Grantor. Notwithstanding anything contained in this paragraph 5 to the contrary, so long as (a) the Prime Tenant is the sole tenant of the entire Premises pursuant to the Prime Lease, (b) the Prime Lease is in full force and effect, (c) no default or event which with the passing of time or the giving of notice would become a default has occurred under the Prime Lease, and (d) the Prime Tenant is responsible for paying the Impositions under the Prime Lease and actually pays the Impositions before they become delinquent, then the obligations of Grantor under this paragraph 5 shall be deemed to have been met; provided, however, in the event that Grantor is obligated pursuant to the Prime Lease to pay for or maintain insurance of any type, Grantor shall be required to escrow sums with Beneficiary for such required insurance pursuant to the terms of this paragraph 5.

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6. Condemnation. Grantor shall promptly give Beneficiary notice of the actual or threatened commencement of any condemnation or eminent domain proceeding and shall deliver to Beneficiary copies of any and all papers served in connection with such proceedings. Notwithstanding any taking by any public or quasi-public authority through eminent domain or otherwise (including but not limited to any transfer made in lieu of or in anticipation of the exercise of such taking), Grantor shall continue to pay the Debt at the time and in the manner provided for its payment in the Note and in this Deed of Trust and the Debt shall not be reduced until any award or payment therefor shall have been actually received and applied by Beneficiary, after the deduction of expenses of collection, to the reduction or discharge of the Debt. Beneficiary shall not be limited to the interest paid on the award by the condemning authority but shall be entitled to receive out of the award interest at the rate or rates provided herein and in the Note. Beneficiary may apply any such award or payment to the reduction or discharge of the Debt whether or not then due and payable. Any reduction of the Debt pursuant to the terms of this paragraph 6 shall not be deemed a prepayment of the Debt and no prepayment consideration, if any, shall be due. If the Trust Property is sold, through foreclosure or otherwise, prior to the receipt by Beneficiary of such award or payment, Beneficiary shall have the right, whether or not a deficiency judgment on the Note shall have been sought, recovered or denied, to receive said award or payment, or a portion thereof sufficient to pay the Debt.

7. Leases and Rents. (a) Beneficiary has the right to enter the Trust Property for the purpose of enforcing, on the terms hereof, its interest in the Leases and the Rents, this Deed of Trust constituting a present absolute assignment, grant and transfer thereof.

(b) Upon or at any time after the occurrence of an Event of Default (hereinafter defined), Beneficiary may enter upon the Trust Property, and collect, retain and apply the Rents toward payment of the Debt in such priority and proportions as Beneficiary in its discretion shall deem proper. All Leases (except as set forth below in clause (viii) below in connection with an assignment or sublet to a Related Corporation (as defined in the Prime Lease) and other than the Prime Lease) shall be subject to the prior approval of Beneficiary and which approval shall not be unreasonably withheld or delayed. Upon request, Grantor shall furnish Beneficiary with executed copies of all Leases. No material changes may be made to the Beneficiary- approved lease without the prior written consent of Beneficiary, which consent may not be unreasonably withheld. In addition, except as otherwise set forth below in clause (viii) below in connection with an assignment or sublet to a Related Corporation

(as defined in the Prime Lease), all renewals of Leases and all proposed Leases shall be arms-length transactions with terms which are commercially reasonable and consistent with that of the prevailing rental market. All Leases shall provide that they are subordinate to this Deed of Trust and that the lessee attorns to Beneficiary. Grantor (i) shall observe and perform all the obligations imposed upon the lessor under the Leases and shall not do or permit to be done anything to impair the value of the Leases as security for the Debt; (ii) shall promptly send copies to Beneficiary of all notices of default which Grantor shall send or receive thereunder; (iii) shall enforce all of the material terms, covenants and conditions contained in the Leases upon the part of the lessees thereunder to be observed or performed, short of termination thereof; (iv) shall not collect any of the Rents more than one (1) month in advance; (v) shall not execute any other assignment of lessor's interest in the Leases or the Rents; (vi) shall not, except as otherwise provided in clause (viii) of this Section 7(b), materially alter, modify or change the terms of the Leases without the prior written consent of Beneficiary, or cancel or terminate the Leases or accept a surrender thereof except as required by the terms of the Leases or with Beneficiary's consent, or convey transfer or suffer or permit a conveyance or transfer of the Premises or of any interest therein so as to effect a merger of the estates and rights of, or a termination or diminution of the obligations of, lessees thereunder; (vii) shall not alter, modify or change the terms of any guaranty of the Leases or cancel or terminate such guaranty without the prior written consent of Beneficiary; (viii) shall not consent to any assignment of or subletting under the Leases not in accordance with their terms, without the prior written consent of Beneficiary, other than an assignment or sublet of the Prime Lease to a Related Corporation (as defined in the Prime Lease) as provided in Article XXIV of the Prime Lease; and (ix) shall execute and deliver at the request of Beneficiary all such further assurances, confirmations and assignments in connection with the Trust Property as Beneficiary shall from time to time reasonably require. In addition to the rights which Beneficiary may have herein, upon the occurrence of any Event of Default, Beneficiary, at its option, may require Grantor to vacate and surrender possession of the Trust Property to Beneficiary or to such receiver and, in default thereof, Grantor may be evicted by summary proceedings or otherwise. Nothing contained in this paragraph shall be construed as imposing on Beneficiary any of the obligations of lessor under the Leases.

8. Maintenance of Trust Property. Grantor shall cause the Trust Property to be maintained in a good and safe condition and repair. Except as may otherwise be provided in the Prime Lease, the Improvements and the Equipment shall not be removed, demolished or materially altered except (a) for normal

replacement of the Equipment which has become obsolete or unfit for use or which is no longer useful in the management, operation or maintenance of the Trust Property or (b) provided the Prime Lease is in effect, as provided in the Prime Lease. Grantor shall, or shall cause Prime Tenant to, promptly replace any such Equipment so disposed of or removed with other Equipment of equal quality, value, serviceability and use, free of superior title, liens and claims. Grantor shall, or shall cause Prime Tenant to, promptly comply with all existing and future governmental laws, orders, ordinances, rules and regulations affecting the Trust Property, or the use thereof, and shall, subject to the provisions of paragraph 3, promptly repair, replace or rebuild any part of the Trust Property which may be destroyed by any casualty (including any casualty for which insurance was not obtained or obtainable), or become damaged, worn or dilapidated or which may be affected by any proceeding of the character referred to in paragraph 6 hereof or as provided in Section 59(a) hereof and shall complete and pay for, within a reasonable time, any structure at any time in the process of construction or repair on the Premises. Grantor shall not initiate, join in, or consent to any change in any private restrictive covenant, zoning law or other public or private restriction, limiting or defining the uses which may be made of the Trust Property or any part thereof. Grantor shall not consent to or initiate the joint assessment of the Premises and the Improvements (a) with any other real property constituting a separate tax lot and Grantor represents and covenants that the Premises and the Improvements are and shall remain a separate tax lot or one or more separate tax lots or (b) with any portion of the Trust Property which may be deemed to constitute personal property or which shall be assessed or levied or charged to the Trust Property as a single lien.

9. Transfer or Encumbrance of the Trust Property. (a) Grantor

acknowledges that Beneficiary has examined and relied on the creditworthiness of Grantor and experience of Grantor in owning and operating properties such as the Trust Property in agreeing to make the loan secured hereby, and that Beneficiary will continue to rely on Grantor's ownership of the Trust Property as a means of maintaining the value of the Trust Property as security for repayment of the Debt. Grantor acknowledges that Beneficiary has a valid interest in maintaining the value of the Trust Property so as to ensure that, should Grantor default in the repayment of the Debt, Beneficiary can recover the Debt by a sale of the Trust Property.

(b) (i) Except as set forth in Section 9(b)(ii) below, Grantor shall not, without the prior written consent of Beneficiary, further encumber the Trust Property or any part thereof or permit the further encumbrance of the Trust Property

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or any part thereof, or pledge the Trust Property or any part thereof. Grantor shall not, without the prior written consent of Beneficiary, sell, transfer or convey the Trust Property or any part thereof or the right to manage or control the operation of the Trust Property or any part thereof or permit the Trust Property or any part thereof to be sold, transferred or conveyed. A sale, transfer or conveyance within the meaning of this paragraph 9 shall be deemed to include (a) an installments sales agreement wherein Grantor agrees to sell the Trust Property or any part thereof for a price to be paid in installments; (b) an agreement by Grantor (other than the Prime Lease) leasing all or a substantial part of the Trust Property or a sale, assignment or other transfer of, or the grant of a security interest in, Grantor's right, title and interest in and to any Leases or any Rents; (c) if Grantor, any Guarantor (hereinafter defined), any managing member, or any general partner of Grantor or Guarantor is a corporation, the voluntary or involuntary sale, conveyance or transfer of such corporation's stock or the creation or issuance of new stock in a single transaction or cumulatively over any series of transactions, by which, in the aggregate, more than 49% of such corporation's stock shall at any time be vested in a party or parties who are not now stockholders; (d) if Grantor, any Guarantor, any managing member, or any general partner of Grantor or Guarantor is a limited or general partnership or joint venture, the change, removal or resignation of a general partner or managing partner or the transfer of the partnership interest of any general partner or managing partner; and (e) if Grantor, any Guarantor, any managing member, or any general partner of Grantor is a limited liability company, the voluntary or involuntary sale, conveyance or transfer of such limited liability company's membership interests by which an aggregate of more than 10% of such limited liability company's membership interests shall be vested in a party or parties who are not now members; or (f) the removal or resignation of the managing agent, if any, for the Trust Property or the transfer of ownership, management or control of such managing agent to a person or entity other than the general partner or managing partner, if Grantor is a partnership, or the managing member, if Grantor is a limited liability company of Grantor without the consent of Beneficiary.

(ii) Notwithstanding anything to the contrary contained herein, Grantor shall have the one-time right to transfer the Trust Property to a single-purpose, bankruptcy remote entity (including an Affiliate (as hereinafter defined) of Grantor or Prime Tenant) without the consent of Beneficiary provided that (A) no Event of Default shall have occurred hereunder; (B) the Prime Lease is in effect; (C) the transferee shall assume the obligations of the Grantor hereunder and Beneficiary shall receive such evidence as it, in its sole discretion, finds

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satisfactory that all approvals and authorizations, if any, for such transfer and assumption of this Deed of Trust have been obtained; (D) Grantor at its sole cost and expense, shall deliver such reasonable opinions of counsel as Beneficiary may, in its sole discretion, request; (E) Grantor shall pay for all costs and expense incurred by Beneficiary in connection with such transfer, including all reasonable attorneys' fees; and (F) if the transferee is not an Affiliate of Grantor or Prime Tenant, Grantor shall pay to Beneficiary, in addition to those amounts payable under subsection (G) hereof, an amount equal to 1% of the outstanding principal amount of the Debt. "Affiliate" shall mean a corporation or other business entity which controls, is controlled by or is

under common control with Grantor or Prime Tenant, which, for the purposes of this definition, shall mean, with respect to any person or entity the possession, directly or indirectly, of the power to direct or cause the direction of the management of such person or entity, whether through the ownership of voting security or other ownership interests.

(c) Beneficiary reserves the right to condition the consent required hereunder upon a modification of the terms hereof and on assumption of this Deed of Trust as so modified by the proposed transferee, payment of a transfer fee, or such other conditions as Beneficiary shall determine in its sole discretion to be in the interest of Beneficiary. Beneficiary shall not be required to demonstrate any actual impairment of its security or any increased risk of default hereunder in order to declare the Debt immediately due and payable upon Grantor's sale, transfer, conveyance or further encumbrance of the Trust Property without Beneficiary's consent. This provision shall apply to every sale, transfer, conveyance, or further encumbrance of the Trust Property or any part thereof regardless of whether voluntary or not, or whether or not Beneficiary has consented to any previous sale, transfer, conveyance, or further encumbrance of the Trust Property. Grantor was ably represented by an attorney-at-law in the delivery of this Deed of Trust, the terms and conditions of which were bargained for at arm's length and without duress of any kind.

(d) After prior written notice to Beneficiary, Grantor, at its own expense, may contest by appropriate legal proceeding, promptly initiated and conducted in good faith and with due diligence, the amount or validity or application in whole or in part of any lien which is subordinate to the lien of this Deed of Trust, provided that (i) Grantor is not in default under the Note or this Deed of Trust, (ii) such proceedings shall suspend the collection of the lien from Grantor and from the Trust Property, (iii) such proceeding shall be permitted under and be conducted in accordance with the provisions of any other instrument to which Grantor is subject and shall not constitute a default

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thereunder, (iv) neither the Trust Property nor any part thereof or interest therein will be in danger of being sold, forfeited, terminated, cancelled or lost, (v) Grantor or the Prime Tenant shall have set aside adequate reserves for the payment of the lien, together with all interest and penalties thereon, and (vi) Grantor shall have furnished such security as may be required in the proceeding, or as may be requested by Beneficiary to insure the payment of any such lien, together with all interest and penalties thereon; provided, however, so long as (a) the Prime Tenant is the sole tenant of the entire Premises pursuant to the Prime Lease, (b) the Prime Lease is in full force and effect and (c) no default or event which with the passing of time or the giving of notice would become a default has occurred under the Prime Lease, the Prime Tenant may contest any such lien in accordance with the terms of the Prime Lease and the provisions of clauses (i) through (vi) of this paragraph 9(d).

10. Estoppel Certificates.

(a) After request by Beneficiary, Grantor, within fifteen (15) days and at its expense, will furnish Beneficiary with a statement, duly acknowledged and certified, setting forth the amount of the original principal amount of the Note, the unpaid principal amount of the Note, the date payments of interest and/or principal were last paid, any offsets or defenses to the payment of the Debt and that the Note and this Deed of Trust are valid, legal and binding obligations and have not been modified or if modified, giving particulars of such modification.

(b) After request by Beneficiary, Grantor will use its best efforts (which shall not include the expenditure of any sums of money) to furnish Beneficiary, within thirty (30) days, with estoppel certificates in form and substance reasonably satisfactory to Beneficiary from any lessees under then existing Leases.

11. Notices. Any notice, demand, statement, request or consent made hereunder shall be in writing and delivered personally or mailed to the party to whom the notice, demand or request is being made by certified or registered mail, return receipt requested, as follows and shall be deemed given when delivered personally or placed in the United States mail:

if to Beneficiary: at the address first written above

with a copy to:
Brown & Wood LLP
One World Trade Center
New York, New York 10048
Attn: David J. Weinberger, Esq.

if to Grantor: at the address first written above

or such other address as either Grantor or Beneficiary shall hereafter specify by written notice as provided herein.

12. Sale of Trust Property. If this Deed of Trust is fore-closed, the Trust Property, or any interest therein, may at the discretion of Beneficiary, be sold in one or more parcels or in several interests or portions and in any order or manner.

13. Changes in the Laws Regarding Taxation. If any law is enacted or adopted or amended after the date of this Deed of Trust which deducts the Debt from the value of the Trust Property for the purpose of taxation and which imposes a tax, either directly or indirectly, on the Note, the Debt or Beneficiary's interest in the Trust Property, Grantor will pay such tax, with interest and penalties thereon. In the event Beneficiary is advised by counsel chosen by it that the payment of such tax or interest and penalties by Grantor would be unlawful, or taxable to Beneficiary or unenforceable or provide the basis for a defense of usury, then in any such event, Beneficiary shall have the option, by written notice of not less than thirty (30) days, to declare the Debt immediately due and payable.

14. No Credits on Account of the Debt. Grantor will not claim or demand or be entitled to any credit or credits on account of the Debt for any part of the Impositions assessed against the Trust Property or any part thereof and no deduction shall otherwise be made or claimed from the taxable value of the Trust Property, or any part thereof, by reason of this Deed of Trust or the Debt. In the event such claim, credit or deduction shall be required by law, Beneficiary shall have the option, by written notice of not less than ninety (90) days, to declare the Debt immediately due and payable.

15. Documentary Stamps. If at any time the United States of America, any State thereof or any subdivision of any such State shall require revenue or other stamps to be affixed to the Note or this Deed of Trust, or impose any other tax or charge on the same, Grantor will pay for the same, with interest and penalties thereon, if any.

16. Right of Entry. Beneficiary and its agents shall have the right to enter and inspect the Trust Property at all reasonable times, and, except in the event of an emergency, upon reasonable notice. Such entry is to be accomplished in a reasonable manner which avoids interference with the conduct by the Prime Tenant of its operations. Grantor shall pay

Beneficiary an annual inspection fee of \$750 to reimburse Beneficiary for Beneficiary's costs of inspecting the Trust Property. Grantor shall pay such fee within ten (10) days of demand by Beneficiary, and if Grantor shall fail to pay such fee within such period, Beneficiary may, at its option, deduct such amount from the Escrow Fund or declare an Event of Default.

17. Books and Records. Grantor will keep and maintain or will cause to be kept and maintained on a fiscal year basis in accordance with generally accepted accounting practices consistently applied proper and accurate books, records and accounts reflecting all of the financial affairs of Grantor and all items of income and expense in connection with the operation of the Trust Property or in connection with any services, equipment or furnishings provided in connection with the operation of the Trust Property. Beneficiary shall have the right from time to time at all times during normal business hours to examine such books, records and accounts at the office of Grantor or other person maintaining such books, records and accounts and to make copies or extracts thereof as Beneficiary shall desire. Provided no Event of Default hereunder shall have occurred and be continuing, Grantor will furnish Beneficiary annually, within ninety (90) days next following the end of each fiscal year of

Grantor, with (a) a complete executed copy of a financial statement of Grantor certified by the chief financial officer of the Grantor acceptable to Beneficiary covering such fiscal year and containing: a fully itemized statement of income and expenses, a balance sheet, and a statement of changes in financial condition or position, and (b) copies of all tax returns filed by Grantor. If an Event of Default shall have occurred and be continuing, Grantor shall (i) provide annual audited financial statements within ninety (90) days next following the end of each fiscal year of Grantor, acceptable to Beneficiary covering such fiscal year and containing: a fully itemized statement of income and expenses, a balance sheet, and a statement of changes in financial condition or position, and (ii) furnish Beneficiary quarterly, within thirty (30) days next following the end of each fiscal quarter of Grantor, with a complete unaudited financial statement of Grantor for such fiscal quarter prepared and certified by an officer of Grantor and in form acceptable to Beneficiary and containing a fully itemized statement of income and expenses of the Trust Property and with rent rolls and schedules of the Trust Property. Within ninety (90) days after the end of each fiscal year of Grantor, Grantor shall furnish to Beneficiary a certificate signed by a duly authorized representative of Grantor certifying on the date thereof either that there does or does not exist an event which constitutes, or which upon notice or lapse of time or both would constitute, a default under the Note or this Deed of Trust and if such event exists, the nature thereof and the period of time it

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has existed. Grantor shall furnish Beneficiary promptly upon transmission thereof with copies of all financial statements, proxy statements, notices and reports of Prime Tenant as said entity shall send to its public shareholders and copies of all registration statements (other than Form S-8 registration statements) and each Form 8-K, Form 10-K and Form 10-Q which it files with the Securities and Exchange Commission (or any governmental body or agency succeeding to the functions of the Securities and Exchange Commission). Grantor shall also furnish, or shall cause Prime Tenant to furnish to Beneficiary, within ten (10) days after request, such further detailed information covering the leasing and operation of the Trust Property and the financial affairs of Grantor and Prime Tenant and any Guarantor as may be reasonably requested by Beneficiary. Beneficiary agrees that, except as provided in Section 37 hereof, any non-public information (i) shall be kept strictly confidential; (ii) shall be used solely for the purposes of analyzing and evaluating the loan secured hereby and any securitization of such loan; and (iii) shall not be used for proprietary purposes except as set forth herein.

18. Performance of Other Agreements. Grantor shall observe and perform, or cause to be observed and performed, each and every term to be observed or performed by Grantor pursuant to the terms of any agreement or recorded instrument affecting or pertaining to the Trust Property.

19. Events of Default. The Debt shall become immediately due at the option of Beneficiary upon any one or more of the following events ("Event of Default"):

(a) if any portion of the Debt is not paid when the same is due;

(b) if any of the Impositions are not paid prior to delinquency thereof;

(c) if the terms and conditions of paragraph 3 are violated;

(d) if Grantor violates or does not comply with any of the provisions of paragraphs 7 or 9 or paragraph 48 if such violation or non-compliance requires reporting to any local, state or federal agency;

(e) if any representation or warranty of Grantor, or performance by Grantor of any of the terms of this Deed of Trust, made herein or in any such guaranty, or in any certificate, report, financial statement or other instrument

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furnished to Beneficiary shall prove false or misleading in any material respect;

(f) if Grantor shall make an assignment for the benefit of creditors or if Grantor shall generally not be paying its debts as they become due;

(g) if a receiver, liquidator or trustee of Grantor shall be appointed or if Grantor shall be adjudicated a bankrupt or insolvent, or if any petition for bankruptcy, reorganization or arrangement pursuant to federal bankruptcy law, or any similar federal or state law, shall be filed by or against, consented to, or acquiesced in by, Grantor or if any proceeding for the dissolution or liquidation of Grantor shall be instituted; however, if such appointment, adjudication, petition or proceeding was involuntary and not consented to by Grantor, upon the same not being discharged, stayed or dismissed within sixty (60) days or if Grantor shall generally not be paying its debts as they become due;

(h) if Grantor shall be in default under any other mortgage or security agreement covering any part of the Trust Property whether it be superior or junior in lien to this Deed of Trust;

(i) if the Trust Property becomes subject to any mechanic's, materialmen's or other lien, other than a lien for local real estate taxes and assessments not then delinquent, and such lien shall remain undischarged of record (by payment, bonding, or otherwise) for thirty (30) days unless such lien is being contested in accordance with the terms of this Deed of Trust;

(j) if Grantor fails to cure, or to cause Prime Tenant to cure, promptly any violations of laws or ordinances affecting or which may be interpreted to affect the Trust Property;

(k) [intentionally omitted];

(l) if the Prime Lease shall terminate, or if the Prime Tenant shall be in default beyond any applicable notice and grace period, if any, under any of the terms of the Prime Lease, or if Grantor shall be in default under any of the terms of the Prime Lease;

(m) if (i) any representation or warranty made by Grantor under paragraph 54 fails to be true and correct in all respects, (ii) Grantor fails to provide Beneficiary with the written certifications and evidence referred to in

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paragraph 54, or (iii) Grantor consummates a transaction which would cause this Deed of Trust or any exercise of Beneficiary's rights under this Deed of Trust, or the Other Security Documents to constitute a non-exempt prohibited transaction under ERISA or a violation of a state statute regulating governmental plans, or otherwise subjecting Beneficiary to liability for violation of ERISA or such state statute;

(n) if Grantor shall be in default beyond any applicable notice or grace periods under any one or more of those certain mortgages more particularly described in Exhibit C attached hereto and made a part hereof or the notes secured thereby; or

(o) if Grantor shall be in default under any of the other terms, covenants or conditions of the Note, this Deed of Trust or the Other Security Documents other than as set forth in (a)-(n) above for ten (10) days after notice from Beneficiary in the case of any default which can be cured by the payment of a sum of money or for thirty (30) days after notice from Beneficiary in the case of any other default, provided that if such default is susceptible of cure but cannot reasonably be cured within such thirty (30) day period and Grantor shall have commenced to cure such default within such thirty (30) day period and thereafter diligently and expeditiously proceeds to cure the same, such thirty (30) day period shall be extended for so long as it shall require Grantor in the exercise of due diligence to cure such default.

Upon the occurrence of any Event of Default, Beneficiary may take such action, without notice or demand, as it deems advisable to protect and enforce

its rights against and in and to the Trust Property, including, but not limited to, the following actions, each of which may be pursued concurrently or otherwise, at such time and in such order as Beneficiary may determine, in its sole discretion, without impairing or otherwise affecting the other rights and remedies: (i) declare the entire Debt to be immediately due and payable; (ii) institute proceedings for the complete foreclosure of this Deed of Trust in which case the Trust Property or any interest therein may be sold for cash or upon credit in one or more parcels or in several interests or portions and in any order or manner; (iii) with or without entry, to the extent permitted and pursuant to the procedures provided by applicable law, institute proceedings for the partial foreclosure of this Deed of Trust for the portion of the Debt then due and payable, subject to the continuing lien of this Deed of Trust for the balance of the Debt not then due; (iv) sell for cash or upon credit the Trust Property or any part thereof and

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all estate, claim, demand, right, title and interest of Grantor therein and rights of redemption thereof, pursuant to power of sale or otherwise, at one or more sales, as an entity or in parcels, at such time and place, upon such terms and after such notice thereof as may be required or permitted by law; (v) institute an action, suit or proceeding in equity for the specific performance of any covenant, condition or agreement contained herein, in the Note or in any of the Other Security Documents; (vi) recover judgment on the Note either before, during or after any proceedings for the enforcement of this Deed of Trust; (vii) apply for the appointment of a trustee, receiver, liquidator or conservator of the Trust Property, without notice and without regard for the adequacy of the security for the Debt and without regard for the solvency of the Grantor, any Guarantor or of any person, firm or other entity liable for the payment of the Debt; (viii) enforce Beneficiary's interest in the Leases and Rents and enter into or upon the Trust Property, either personally or by its agents, nominees or attorneys, and dispossess Grantor and its agents and servants therefrom, and thereupon Beneficiary may (A) use, operate, manage, control, insure, maintain, repair, restore and otherwise deal with all and every part of the Trust Property and conduct the business thereat; (B) complete any construction on the Trust Property in such manner and form as Beneficiary deems advisable; (C) make alterations, additions, renewals, replacements and improvements to or on the Trust Property; (D) exercise all rights and powers of Grantor with respect to the Trust Property, whether in the name of Grantor or otherwise, including, without limitation, the right to make, cancel, enforce or modify Leases, obtain and evict tenants, and demand, sue for, collect and receive all earnings, revenues, rents, issues profits and other income of the Trust Property and every part thereof; and (E) apply the receipts from the Trust Property to the payment of the Debt, after deducting therefrom all expenses (including, without limitation, attorneys' fees) incurred in connection with the aforesaid operations and all amounts necessary to pay the Impositions, in connection with the Trust Property, as well as reasonable compensation for the services of Beneficiary, its counsel, agents and employees; or (ix) pursue such other rights and remedies as may be available at law or in equity.

20. Right to Cure Defaults. Upon the occurrence of any Event of Default or if Grantor fails to make any payment or to do any act as herein provided, Beneficiary may, but without any obligation to do so and without notice to or demand on Grantor and without releasing Grantor from any obligation hereunder, make or do the same in such manner and to such extent as Beneficiary may deem necessary to protect the security hereof. Beneficiary is authorized to enter upon the Trust Property for such purposes, or appear in, defend, or bring any action or proceedings to

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protect its interest in the Trust Property or to foreclose this Deed of Trust or collect the Debt, and the cost and expense thereof (including reasonable attorneys' fees to the extent permitted by law), with interest as provided in this paragraph, shall constitute a portion of the Debt and shall be due and payable to Beneficiary. All such costs, payments and expenses incurred by Beneficiary in remedying such Event of Default or in appearing in, defending, or bringing any such action or proceeding shall bear interest as set forth in the Note, for the period after notice from Beneficiary that such cost or expense was incurred to the date of payment to Beneficiary. All such costs, payments and expenses incurred by Beneficiary together with interest thereon calculated at

the above rate shall be deemed to constitute a portion of the Debt and be secured by this Deed of Trust and shall be immediately due and payable upon demand by Beneficiary therefor.

21. [Intentionally omitted].

22. Prepayment After Event of Default. If following the occurrence of any Event of Default, Grantor shall tender payment of an amount sufficient to satisfy the Debt in whole or in part at any time prior to a foreclosure sale of the Trust Property, and if at the time of such tender prepayment of the principal balance of the Note is not permitted by the Note, Grantor shall, in addition to the entire Debt, also pay to Beneficiary a sum equal to interest which would have accrued on the principal balance of the Note at the rate or rates specified in the Note from the date of such tender to the earlier of (a) the Maturity Date, as defined in the Note, or (b) the first day of the period during which prepayment of the principal balance of the Note would have been permitted, together with a prepayment premium equal to the prepayment premium which would have been payable as of the first day of the period during which prepayment would have been permitted. If at the time of such tender prepayment of the principal balance of the Note is permitted, such tender by Grantor shall be deemed to be a voluntary prepayment of the principal balance of the Note, and Grantor shall, in addition to the entire Debt, also pay to Beneficiary the applicable prepayment premium specified in the Note or this Deed of Trust.

23. Appointment of Receiver. The holder of this Deed of Trust, upon the occurrence of an Event of Default or in any action to foreclose this Deed of Trust or upon the actual or threatened waste to any part of the Trust Property, shall be entitled to the appointment of a receiver without notice and without regard to the value of the Trust Property as security for the Debt, or the solvency or insolvency of any person liable for the payment of the Debt.

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24. Restoration of Rights. In case Beneficiary shall have proceeded to enforce any right under this Deed of Trust by foreclosure sale, entry or otherwise, and such proceedings shall have been discontinued or abandoned for any reason or shall have been determined adversely, then, in every such case, Grantor and Beneficiary shall be restored to their former positions and rights hereunder with respect to the Trust Property subject to the lien hereof.

25. Non-Waiver. The failure of Beneficiary to insist upon strict performance of any term hereof shall not be deemed to be a waiver of any term of this Deed of Trust. Grantor shall not be relieved of Grantor's obligations hereunder by reason of (a) failure of Beneficiary to comply with any request of Grantor or Guarantors to take any action to foreclose this Deed of Trust or otherwise enforce any of the provisions hereof or of the Note or the Other Security Documents, (b) the release, regardless of consideration, of the whole or any part of the Trust Property or any other security for the Debt, or of any person liable for the Debt or portion thereof, or (c) any agreement or stipulation by Beneficiary extending the time of payment or otherwise modifying or supplementing the terms of the Note, this Deed of Trust or the Other Security Documents. Beneficiary may resort for the payment of the Debt to any other security held by Beneficiary in such order and manner as Beneficiary, in its discretion, may elect. Beneficiary may take action to recover the Debt, or any portion thereof, or to enforce any covenant hereof without prejudice to the right of Beneficiary thereafter to foreclose this Deed of Trust. The rights of Beneficiary under this Deed of Trust shall be separate, distinct and cumulative and none shall be given effect to the exclusion of the others. No act of Beneficiary shall be construed as an election to proceed under any one provision herein to the exclusion of any other provision. Beneficiary shall not be limited exclusively to the rights and remedies herein stated but shall be entitled to every right and remedy now or hereafter afforded by law or in equity.

26. Liability. If Grantor consists of more than one person, the obligations and liabilities of each such person hereunder shall be joint and several.

27. Security Agreement. This Deed of Trust is both a real property mortgage and a "security agreement" within the meaning of the Uniform Commercial Code. The Trust Property includes both real and personal property and all other rights and interests, whether tangible or intangible in nature, of Grantor in the Trust Property. Grantor by executing and delivering this Deed of Trust has granted to Beneficiary, as security for the Debt, a security interest in the Trust Property to the full extent that the Trust Property may be subject to the Uniform Commercial Code of the

state or states where the Trust Property is situated (said portion of the Trust Property so subject to the Uniform Commercial Code being called in this paragraph the "Collateral"). If an Event of Default shall occur, Beneficiary, in addition to any other rights and remedies which it may have, shall have and may exercise immediately and without demand, any and all rights and remedies granted to a secured party upon default under the Uniform Commercial Code, including, without limiting the generality of the foregoing, the right to take possession of the Collateral or any part thereof, and to take such other measures as Beneficiary may deem necessary for the care, protection and preservation of the Collateral. Upon request or demand of Beneficiary, Grantor shall at its expense assemble the Collateral and make it available to Beneficiary at a convenient place acceptable to Beneficiary. Grantor shall pay to Beneficiary on demand any and all expenses, including legal expenses and attorneys' fees, incurred or paid by Beneficiary in protecting its interest in the Collateral and in enforcing its rights hereunder with respect to the Collateral. Any notice of sale, disposition or other intended action by Beneficiary with respect to the Collateral sent to Grantor in accordance with the provisions hereof at least five (5) days prior to such action, shall constitute reasonable notice to Grantor. The proceeds of any disposition of the Collateral, or any part thereof, may be applied by Beneficiary to the payment of the Debt in such priority and proportions as Beneficiary in its discretion shall deem proper.

28. Not Foreign Person. Grantor represents and warrants that Grantor is not a "foreign person" within the meaning of ss.1445(f)(3) of the Internal Revenue Code of 1986 as amended and the related Treasury Department regulations, including temporary regulations.

29. Actions and Proceedings. Beneficiary has the right to appear in and defend any action or proceeding brought with respect to the Trust Property and to bring any action or proceedings, in the name and on behalf of Grantor, which Beneficiary, in its reasonable discretion, decides should be brought to protect its interest in the Trust Property. Beneficiary shall, at its option, be subrogated to the lien of any mortgage or other security instrument discharged in whole or in part by the Debt, and any such subrogation rights shall constitute additional security for the payment of the Debt.

30. Inapplicable Provisions. If any term, covenant or condition of the Note or this Deed of Trust is held to be invalid, illegal or unenforceable in any respect, the Note and this Deed of Trust shall be construed without such provision.

31. Duplicate Originals. This Deed of Trust may be executed in any number of duplicate originals and each such duplicate original shall be deemed to constitute but one and the same instrument.

32. Prepayment. The Debt may be prepaid only in accordance with the terms of the Note.

33. Certain Definitions. Unless the context clearly indicates a contrary intent or unless otherwise specifically provided herein, words used in this Deed of Trust shall be used interchangeably in singular or plural form and the word "Grantor" shall mean "each Grantor and/or any subsequent owner or owners of the Trust Property or any part thereof or interest therein," the word "Beneficiary" shall mean "Beneficiary or any subsequent holder of the Notes," the word "Note" shall mean "the Note or any other evidence of indebtedness secured by this Deed of Trust," the word "person" shall include an individual, corporation, partnership, trust, limited liability company, unincorporated association, government, governmental authority, or other entity, the words "Trust Property" shall include any portion of the Trust Property or interest therein, and the word "Debt" shall mean "the principal outstanding balance of the Note with interest thereon as provided in the Note and this Deed of Trust and all other sums which may or shall become due pursuant to the Note and this Deed of Trust and secured by this Deed of Trust"; whenever the context may require, any pronouns used herein shall include the corresponding masculine, feminine or neuter forms, and the singular form of nouns and pronouns shall

include the plural and vice versa.

34. No Oral Change. This Deed of Trust, and any provisions hereof, may not be modified, amended, waived, extended, changed, discharged or terminated orally or by any act on the part of Grantor or Beneficiary, but only by an agreement in writing signed by the party against whom enforcement of any modification, amendment, waiver, extension, change, discharge or termination is sought.

35. Change of Ownership. For recording on its records a change of ownership of the Trust Property approved by Beneficiary, Beneficiary shall be entitled, at its option, to receive an administrative fee; provided, however, that in no event shall this fee be payable where the same would render the loan evidenced by the Note usurious under applicable law.

36. Waiver of Counterclaim. Grantor hereby waives the right to assert a counterclaim, other than compulsory counterclaim, in any action or proceeding brought against it by Beneficiary, and waives trial by jury in any action or proceeding

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brought by either party hereto against the other or in any counterclaim asserted by Beneficiary against Grantor, or in any matters whatsoever arising out of or in any way connected with the Grantor or the Debt.

37. Further Acts, Cooperation. (a) Grantor will, at the cost of Grantor, and without expense to Beneficiary, do, execute, acknowledge and deliver all and every such further acts, deeds, conveyances, mortgages, deeds of trust, assignments, notices of assignments, transfers and assurances as Beneficiary shall, from time to time, require, for the better assuring, conveying, assigning, transferring, and confirming unto Beneficiary the property and rights hereby mortgaged, given, granted, bargained, sold, aliened, enfeoffed, conveyed, confirmed, pledged, assigned and hypothecated or intended now or hereafter so to be, or which Grantor may be or may hereafter become bound to convey or assign to Beneficiary, or for carrying out the intention or facilitating the performance of the terms of this Deed of Trust or for filing, registering or recording this Deed of Trust and, on demand, will execute and deliver and hereby authorizes Beneficiary to execute in the name of Grantor or without the signature of Grantor to the extent Beneficiary may lawfully do so, one or more financing statements, chattel mortgages or comparable security instruments, to evidence more effectively the lien hereof upon the Trust Property. Grantor grants to Beneficiary an irrevocable power of attorney coupled with an interest for the purpose of exercising and perfecting any and all rights and remedies available to Beneficiary at law and in equity, including without limitation such rights and remedies available to Beneficiary pursuant to this paragraph 37.

(b) Grantor acknowledges that Beneficiary and its successors and assigns may (a) sell this Deed of Trust, the Note and the Other Security Documents to one or more investors as a whole loan, (b) participate the loan (the "Loan") secured by this Deed of Trust to one or more investors, (c) deposit this Deed of Trust, the Note and the Other Security Documents with a trust, which trust may sell certificates to investors evidencing an ownership interest in the trust assets or (d) otherwise sell the Loan or interest therein to investors (the transactions referred to in clauses (a) through (d) are hereinafter referred to as "Secondary Market Transactions"). Grantor shall cooperate in good faith with Beneficiary in effecting any such Secondary Market Transaction and shall cooperate in good faith to implement all requirements imposed by any Rating Agency involved in any Secondary Market Transaction including, without limitation, all structural or other changes to the Loan, modifications to any documents evidencing or securing the Loan, delivery of opinions of counsel acceptable to such Rating Agency and addressing such matters as the rating agency may require; provided, however, that

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Grantor shall not be required to modify any documents evidencing or securing the Loan which would modify any material economic term of the Loan to the detriment of Grantor. Grantor shall provide such information and documents relating to Grantor, Guarantor, if any, the Trust Property, Prime Tenant and any other

tenant of the Improvements as Beneficiary may reasonably request in connection with a Secondary Market Transaction. Beneficiary shall have the right to provide to prospective investors (the "Investors") or any Rating Agency any information in its possession, including, without limitation, financial statements relating to Grantor, the Guarantor, if any, the Trust Property, Prime Tenant and any other tenant of the Improvements. Grantor acknowledges that certain information regarding the Loan and the parties thereto and the Trust Property may be included in a private placement memorandum, prospectus or other disclosure documents. Grantor may notify Beneficiary in writing of any information it, in its reasonable discretion, deems to be proprietary in nature (the "Confidential Information"). Beneficiary shall only release such Confidential Information to Investors as it deems necessary in connection with the Secondary Market Transaction. Beneficiary shall use good faith efforts to cause the Investors and any Rating Agency to keep the Confidential Information confidential, by, among other things, stating in documents disclosing the Confidential Information that such Confidential Information (i) shall be used solely for the purposes of analyzing and assessing the Secondary Market Transaction; (ii) the information shall not be used for any proprietary purposes other than in connection with the Secondary Market Transaction; and (iii) such information shall be kept confidential by any party receiving such information for purposes of analyzing such Secondary Market Transaction. Nothing contained herein shall be deemed to prohibit (x) disclosure of non-Confidential Information (y) disclosure of Confidential Information which, in the opinion of Beneficiary or its counsel, is required by law, and (z) any Rating Agency from including summary statements, conclusions or analyses based on the Confidential Information in any reports they prepare and distribute in connection with the loan secured hereby.

38. Headings, etc. The headings and captions of various paragraphs of this Deed of Trust are for convenience of reference only and are not to be construed as defining or limiting, in any way, the scope or intent of the provisions hereof.

39. Recording of Deed of Trust, etc. Grantor forthwith upon the execution and delivery of this Deed of Trust and thereafter, from time to time, will cause this Deed of Trust, and any security instrument creating a lien or security interest or evidencing the lien hereof upon the Trust Property and each instrument of further assurance to be filed, registered or

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recorded in such manner and in such places as may be required by any present or future law in order to publish notice of and fully protect the lien or security interest hereof upon, and the interest of Beneficiary in, the Trust Property. Grantor will pay all filing, registration or recording fees, and all expenses incident to the preparation, execution and acknowledgment of this Deed of Trust, any mortgage supplemental hereto, any security instrument with respect to the Trust Property and any instrument of further assurance, and all federal, state, county and municipal, taxes, duties, imposts, assessments and charges arising out of or in connection with the execution and delivery of this Deed of Trust, any mortgage supplemental hereto, any security instrument with respect to the Trust Property or any instrument of further assurance, except where prohibited by law so to do. Grantor shall hold harmless and indemnify Beneficiary, its successors and assigns, against any liability incurred by reason of the imposition of any tax on the making and recording of this Deed of Trust.

40. Usury Laws. This Deed of Trust and the Note are subject to the express condition that at no time shall Grantor be obligated or required to pay interest on the principal balance due under the Note at a rate which could subject the holder of the Note, or the Beneficiary to either civil or criminal liability as a result of being in excess of the maximum interest rate which Grantor is permitted by law to contract or agree to pay. If by the terms of this Deed of Trust or the Note, Grantor is at any time required or obligated to pay interest on the principal balance due under the Note at a rate in excess of such maximum rate, the rate of interest under the Note shall be deemed to be immediately reduced to such maximum rate and the interest payable shall be computed at such maximum rate and all prior interest payments in excess of such maximum rate shall be applied and shall be deemed to have been payments in reduction of the principal balance of the Note.

41. Sole Discretion of Beneficiary. Wherever pursuant to this Deed of Trust, Beneficiary exercises any right given to it to approve or disapprove, or any arrangement or term is to be satisfactory to Beneficiary, the decision of Beneficiary to approve or disapprove or to decide that arrangements or terms are satisfactory or not satisfactory shall be in the sole discretion of Beneficiary and shall be final and conclusive, except as may be otherwise specifically provided herein.

42. Recovery of Sums Required to Be Paid. Beneficiary

shall have the right from time to time to take action to recover any sum or sums which constitute a part of the Debt as the same become due, without regard to whether or not the balance of the Debt shall be due, and without prejudice to the right of

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Beneficiary thereafter to bring an action of foreclosure, or any other action, for a default or defaults by Grantor existing at the time such earlier action was commenced.

43. Marshalling and Other Matters. Grantor hereby waives, to the extent permitted by law, the benefit of all appraisal, valuation, stay, extension, reinstatement and redemption laws now or hereafter in force and all rights of marshalling in the event of any sale hereunder of the Trust Property or any part thereof or any interest therein. Further, Grantor hereby expressly waives any and all rights of redemption from sale under any order or decree of foreclosure of this Deed of Trust on behalf of Grantor, and on behalf of each and every person acquiring any interest in or title to the Trust Property subsequent to the date of this Deed of Trust and on behalf of all persons to the extent permitted by applicable law.

44. Waiver of Notice. Grantor shall not be entitled to any notices of any nature whatsoever from Beneficiary except with respect to matters for which this Deed of Trust specifically and expressly provides for the giving of notice by Beneficiary to Grantor and except with respect to matters for which Beneficiary is required by applicable law to give notice, and Grantor hereby expressly waives the right to receive any notice from Beneficiary with respect to any matter for which this Deed of Trust does not specifically and expressly provide for the giving of notice by Beneficiary to Grantor unless Beneficiary is required by applicable law to give notice.

45. Remedies of Grantor. In the event that a claim or adjudication is made that Beneficiary has acted unreasonably or unreasonably delayed acting in any case where by law or under the Note, this Deed of Trust or the Other Security Documents, it has an obligation to act reasonably or promptly, Beneficiary shall not be liable for any monetary damages, and Grantor's remedies shall be limited to injunctive relief or declaratory judgment.

46. Indemnification. (a) Grantor shall protect, indemnify and save harmless Beneficiary from and against all liabilities, obligations, claims, damages, penalties, causes of action, costs and expense (including without limitation reasonable attorneys' fees and expenses whether incurred within or outside the judicial process), imposed upon or incurred by or asserted against Beneficiary by reason of (a) ownership of this Deed of Trust, the Trust Property or any interest therein or receipt of any Rents; (b) any accident, injury to or death of persons or loss of or damage to property occurring in, on or about (i) the Trust Property or any part thereof or (ii) on the adjoining sidewalks, curbs, adjacent property or adjacent parking areas, streets or ways (collectively, the "Adjacent Property"), unless the Adjacent

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Property is owned by, or secures a loan made by, Beneficiary and Grantor otherwise has no liability for such accident, injury, death or loss of or damage to property; (c) any use, nonuse or condition in, on or about the Trust Property or any part thereof or the Adjacent Property unless the Adjacent Property is owned by, or secures a loan made by, Beneficiary and Grantor otherwise has no liability for such use, non use or condition; (d) any failure on the part of Grantor to perform or comply with any of the terms of this Deed of Trust; (e) performance of any labor or services or the furnishing of any materials or other property in respect of the Trust Property or any part thereof; (f) the failure of any person to file timely with the Internal Revenue Service an accurate Form 1099-B, Statement for Recipients of Proceeds from Real Estate, Broker and Barter Exchange Transactions, which may be required in connection with this Deed of Trust, or to supply a copy thereof in a timely fashion to the recipient of the proceeds of the transaction in connection with which this Deed of Trust is made; (g) the presence, disposal, escape, seepage, leakage, spillage, discharge, emission, release, or threatened release of any Hazardous Materials (as hereinafter defined) on, from, or affecting the Trust Property or any other property, unless such other property is owned by, or secures a loan made by,

Beneficiary, and Grantor otherwise has no liability therefor; (h) any personal injury (including wrongful death) or property damage (real or personal) arising out of or related to such Hazardous Materials; (i) any lawsuit brought or threatened, settlement reached, or governmental order relating to such Hazardous Materials; or (j) any violation of laws, orders, regulations, requirements, or demands of government authorities, which are based upon or in any way related to such Hazardous Materials including, without limitation, the costs and expenses of any remedial action, attorney and consultant fees, investigation and laboratory fees, court costs, and litigation expenses. Nothing herein shall be construed as indemnifying Beneficiary from such liabilities, claims, costs and expenses, damages, obligations, claims and causes of action resulting solely from its own affirmatively negligent, grossly negligent or willful acts. Any amounts payable to Beneficiary by reason of the application of this paragraph 46 shall be secured by this Deed of Trust and shall become immediately due and payable and shall bear interest at the Default Rate from the date loss or damage is sustained by Beneficiary until paid. The obligations and liabilities of Grantor under this paragraph 46 shall survive any termination, satisfaction, assignment, entry of a judgment of foreclosure or delivery of a deed in lieu of foreclosure of this Deed of Trust.

(b) In the event that any action, suit or proceeding shall be brought against Beneficiary for which Beneficiary is indemnified herein, Beneficiary shall notify Grantor of the

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commencement thereof, and Grantor shall be entitled, at its sole cost and expense, acting through counsel reasonably acceptable to Beneficiary, to participate in, and, to the extent that Grantor desires to, assume and control the defense thereof; provided, however, that Grantor shall have acknowledged in writing its obligation to fully indemnify Beneficiary hereunder in respect of such proceeding, that no Event of Default shall have occurred and be continuing and, provided further, that Grantor shall not be entitled to assume control of and, unless named as a party therein, participate in the defense of any such action, suit or proceeding if (i) based upon a reasonable reading by Beneficiary or its counsel of the operative pleadings or initiating papers (x) such action, suit or proceeding involves any risk of imposition of criminal liability or civil enforcement liability against Beneficiary, (y) such action, suit, or proceeding involves any risk of any other civil liability against Beneficiary where the amount in controversy exceeds an aggregate amount of \$5,000,000.00 or will involve a risk of the sale, forfeiture or loss of, or the creation of any lien (other than a Permitted Encumbrance) on the Trust Property or any part thereof unless Grantor shall have posted a bond or other security satisfactory to Beneficiary in respect to such risk except with respect to any risk of imposition of criminal liability on Beneficiary as to which Grantor shall not be entitled to so participate, and (z) the control of such action, suit or proceeding would involve a bona fide conflict of interest, such action, suit or proceeding involves matters which are unrelated to the overall transaction contemplated by this Deed of Trust and the Other Security Documents and if determined adversely could be detrimental to the interests of Beneficiary notwithstanding indemnification by Grantor. To the extent there are separate or unseverable claims or proceedings which are not subject to the indemnification provisions of this Section, such claims or proceedings may be independently defended by Beneficiary. Beneficiary may participate in a reasonable manner at its own expense and with its own counsel in any proceeding conducted by Grantor in accordance with the foregoing. The party controlling any such action, suit or proceeding shall keep the other party or parties hereto fully informed of the status of any such proceeding.

(c) Each of Beneficiary and Grantor shall, at Grantor's sole cost and expense, make available to the other party such information and documents reasonably requested by the other party as are necessary or advisable for the other party to participate in any action, suit or proceeding to the extent permitted by this Section 46.

47. Offsets, Counterclaims and Defenses. Any assignee of this Deed of Trust and/or the Note shall take the same free and

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clear of all offsets, counterclaims or defenses which Grantor may otherwise have

against any assignor of this Deed of Trust or the Note, and no such counterclaim or defense shall be interposed or asserted by Grantor in any action or proceeding brought by any such assignee upon this Deed of Trust and the Note and any such right to interpose or assert any such offset, counterclaim or defense in any such action or proceeding is hereby expressly waived by Grantor.

48. Environmental Covenants.

(a) Grantor has not at any time, and, to Grantor's knowledge, after due inquiry and investigation, no other party has at any time, handled, buried, stored, retained, refined, transported, processed, manufactured, generated, produced, spilled, allowed to seep, leak, escape or leach, or pumped, poured, emitted, emptied, discharged, injected, dumped, transferred or otherwise disposed of or dealt with Hazardous Materials on, to or from the Premises or any other real property owned and/or occupied by Grantor and Grantor does not intend to use the Trust Property or any such other real property for the purpose of handling, burying, storing, retaining, refining, transporting, processing, manufacturing, generating, producing, spilling, seeping, leaking, escaping, leaching, pumping, pouring, emitting, emptying, discharging, injecting, dumping, transferring or otherwise disposing of or dealing with Hazardous Materials, except for ordinary cleaning fluids, heating fuel and other items customarily used in the operation of Prime Tenant's current business, provided such use shall not violate any Environmental Statute (hereinafter defined) or be the basis for a lien against the Trust Property.

(b) Except as previously disclosed in writing to Beneficiary, Grantor knows of no seepage, leak, escape, leach, discharge, injection, release, emission, spill, pumping, pouring, emptying or dumping of Hazardous Materials into waters on or adjacent to the Trust Property or any other real property owned and/or occupied by Grantor, or onto lands from which such hazardous or toxic waste or substances might seep, flow or drain into such waters.

(c) Grantor shall not permit any Hazardous Materials to be handled, buried, stored, retained, refined, transported, processed, manufactured, generated, produced, spilled, allowed to seep, leak, escape or leach, or to be pumped, poured, emitted, emptied, discharged, injected, dumped, transferred or otherwise disposed of or dealt with on, to or from the Trust Property or any portion thereof at any time, except for ordinary cleaning fluids, heating fuel and other items customarily used in the operation of Prime Tenant's current business, provided such use

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is in conformance with all applicable federal, state and local laws, rules and regulations and provided further that such use cannot give rise to liability under any Environmental Statute or be the basis for a lien against the Trust Property.

(d) Except as previously disclosed in writing to Beneficiary, Grantor has received no notice of, and has no knowledge of any occurrence or circumstance which with notice or passage of time or both would give rise to a claim under or pursuant to any Environmental Statute, pertaining to hazardous or toxic waste or substances on or originating from the Trust Property or any other real property owned or occupied by Grantor or arising out of the conduct of Grantor, including, without limitation, pursuant to any Environmental Statute.

(e) In the event that there shall be filed a lien against the Trust Property pursuant to any Environmental Statute, Grantor shall, within thirty (30) days or, in the event that the applicable Governmental Authority (as hereinafter defined) has commenced steps to cause the Premises to be sold pursuant to the lien, within ten (10) days, from the date that Grantor receives notice of such lien, either (i) pay the claim and remove the lien from the Trust Property, or (ii) furnish (A) a bond reasonably satisfactory to Beneficiary in the amount of the claim out of which the lien arises, (B) a cash deposit in the amount of the claim out of which the lien arises, or (C) other security reasonably satisfactory to Beneficiary in an amount sufficient to discharge the claim out of which the lien arises.

(f) Except as previously disclosed in writing to Beneficiary, Grantor represents and warrants that neither the Trust Property nor any other land owned by Grantor is included or, to the best of Grantor's knowledge, proposed for inclusion on the National Priorities List issued pursuant to CERCLA (as hereinafter defined) by the United States Environmental Protection Agency (the "EPA") or on any database searched under the ASTM Standard Practice for Environmental Site Assessments and has not otherwise been identified by the EPA as a potential CERCLA site or included or, to the best of Grantor's knowledge, proposed for inclusion on any list or inventory issued pursuant to any other Environmental Statute, if any, or issued by any other Governmental Authority.

Grantor represents and warrants that Grantor will comply with all Environmental Statutes.

(g) For purposes of this paragraph 48, "Hazardous Material" shall include without limitation, any flammable explosives, radioactive materials, hazardous materials, hazardous wastes, hazardous or toxic substances, or related materials, asbestos or any material containing asbestos, or any other substance or material as defined by any Federal, state or local environmental

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law, ordinance, rule, or regulation including, without limitation, the Comprehensive Environmental Response, Compensation, and Liability Act of 1980, as amended (42 U.S.C. Sections 9601, et seq.) ("CERCLA"), the Hazardous Materials Transportation Act, as amended (49 U.S.C. Sections 1801, et seq.), the Resource Conservation and Recovery Act, as amended (42 U.S.C. Sections 6901 et seq.) and in the regulations adopted and publications promulgated pursuant to each of the foregoing (individually, an "Environmental Statute") or by any Federal, state or local governmental authority having or claiming jurisdiction over the Trust Property (a "Governmental Authority").

(h) Following the occurrence of an Event of Default, and without regard to whether Beneficiary shall have taken possession of the Trust Property or a receiver has been requested or appointed or any other right or remedy of Beneficiary has or may be exercised hereunder, Beneficiary shall have the right (but not obligation) to conduct such reasonable investigations, studies, sampling and/or testing of the Trust Property or any part thereof as Beneficiary may, in its discretion, determine to conduct, relative to Hazardous Materials. All costs and expenses reasonably incurred in connection therewith including, without limitation, consultants' fees and disbursements and laboratory fees, shall be secured by this Deed of Trust, shall be immediately due and payable and shall bear interest at the Default Rate from the date paid by Beneficiary until reimbursed by Grantor.

49. No Merger. It is the intention of the parties hereto that if the Beneficiary shall at any time hereafter acquire title to all or any portion of the Trust Property, then, and until the indebtedness secured hereby has been paid in full, the interest of the Beneficiary hereunder and the lien of this Deed of Trust shall not merge or become merged in or with the estate and interest of the Beneficiary as the holder and owner of title to all or any portion of the Trust Property and that, until, such payment, the estate of the Beneficiary in the Trust Property and the lien of this Deed of Trust and the interest of the Beneficiary hereunder shall continue in full force and effect to the same extent as if the Beneficiary had not acquired title to all or any portion of the Trust Property.

50. Governing Law. In realizing upon the remedies set forth herein and in the creation of the liens and security interests granted hereunder, this Deed of Trust shall be governed by and construed in accordance with the laws of the State in which the Premises is located.

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51. Exculpation. Notwithstanding anything to the contrary contained in this Deed of Trust or the Other Security Documents, the obligations of Grantor hereunder shall be non-recourse subject to the exceptions, limitations and recourse events provided in Section 4.04 of the Note, the terms of which are incorporated herein.

52. Negative Covenants with Respect to Indebtedness and Fundamental Changes. Grantor hereby represents, warrants and covenants, as of the date hereof and until such time as the Debt is paid in full, that Grantor:

(a) will not dissolve or terminate or materially amend the terms of its certificate of incorporation, partnership agreement, articles of organization or operating agreement, as applicable;

(b) will not enter into any transaction of merger or consolidation, or liquidate or dissolve itself (or suffer any liquidation or dissolution), or acquire by purchase or otherwise all or substantially all the business or assets of, or any stock or other evidence of beneficial ownership of, any entity;

(c) has not and will not guarantee or otherwise become liable on or in connection with any obligation of any other person or entity;

(d) does not own and will not own any encumbered asset other than (i) the Trust Property, and (ii) incidental personal property necessary for the operation of the Trust Property;

(e) is not engaged and will not engage, directly or indirectly, in any business other than the ownership, management and operation of the Trust Property;

(f) will not enter into any contract or agreement with any member or general partner, as applicable, principal or affiliate of the Grantor or any affiliate of any member or general partner, as applicable, of the Grantor except upon terms and conditions that are intrinsically fair and substantially similar to those that would be available on an arms-length basis with third parties other than an affiliate;

(g) has not incurred and will not incur any debt, secured or unsecured, direct or contingent (including guaranteeing any obligation), other than (i) the indebtedness secured hereby, and (ii) affiliate advances or

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trade payables or accrued expenses incurred in the ordinary course of business of operating the Trust Property; no other debt may be secured (senior, subordinate or pari passu) by the Trust Property;

(h) has not made and will not make any loans or advances to any third party (including any affiliate);

(i) is and will be solvent and pay its debt from its assets as the same shall become due;

(j) has done or caused to be done and will do all things necessary to preserve its existence; and will not do or cause to be done anything which will adversely affect Grantor's existence as a single purpose entity;

(k) will conduct and operate its business as presently conducted and operated;

(l) will maintain books and records and bank accounts separate from those of its affiliates, including its general partners and any members, as applicable;

(m) will be, and at all times will hold itself out to the public as, a legal entity separate and distinct from any other entity (including any affiliate thereof);

(n) will file its own tax returns;

(o) will maintain adequate capital for the normal obligations reasonably foreseeable in a business of its size and character and in light of its contemplated business operations;

(p) will not seek the dissolution or winding up, in whole or in part, of the Grantor;

(q) will not commingle the funds and other assets of the Grantor with those of any affiliate or any other person;

(r) has and will maintain its assets in such a manner that it is not costly or difficult to segregate, ascertain or identify its individual assets from those of any affiliate or any other person; and

(s) does not and will not hold itself out to be responsible for the debts or obligations of any other person.

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53. Representations and Warranties. Grantor represents and warrants to Beneficiary:

(a) Grantor is not an "investment company," or a company "controlled" by an "investment company," as such terms are defined in the Investment Company Act of 1940, as amended;

(b) Grantor is in compliance in all material respects with all Federal, state and local laws, rules and regulations to which Grantor or the Trust Property is subject;

(c) all financial data that has been delivered by Grantor to Beneficiary (i) is complete and correct in all material respects, (ii) accurately represents the financial condition of the persons or entities covered thereby as of the date on which the same shall have been furnished, and (iii) has been prepared in accordance with generally accepted accounting principles consistently applied (or such other accounting basis as is reasonably acceptable to Beneficiary) throughout the periods covered; as of the date hereof, neither Grantor nor, if Grantor is a partnership, any general partner of Grantor, had any contingent liability, liability for taxes or other unusual or forward commitment not reflected in the financial statements delivered to Beneficiary; since the date of the last financial statements delivered by Grantor to Beneficiary except as otherwise disclosed in such financial statements or notes thereto, there has been no change in the assets, liabilities or financial position of Grantor nor, if Grantor is a partnership, any general partner of Grantor, or in the results of operations of Grantor which would have a material adverse effect on Grantor or the Trust Property; and neither Grantor nor, if Grantor is a partnership, any general partner of Grantor has incurred any obligation or liability, contingent or otherwise, not reflected in such financial statements which would have a material adverse effect on Grantor or the Trust Property;

(d) no part of the proceeds of the loan evidenced by the Note will be used for the purpose of purchasing or acquiring any "margin stock" within the meaning of Regulations G, T, U or X of the Board of Governors of the Federal Reserve System or for any other purpose which would be inconsistent with such Regulations G, T, U or X or any other Regulations of such Board of Governors, or for any purposes prohibited by law;

(e) There are no actions, suits or proceedings pending or, to the best knowledge of the Grantor, threatened against or affecting Grantor or the Trust Property in any court or before any governmental authority which if adversely determined may have a material adverse effect on Grantor or the Trust Property. Grantor is not in default with respect to any order of any court

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or governmental authority and the execution and delivery of, and the performance by Grantor of its obligations under the Note, this Deed of Trust or the Other Security Documents will not cause or result in any such default;

(f) the original principal sum evidenced by the Note does not exceed one hundred twenty-five percent (125%) of the fair market value of the Trust Property which, for purposes of this subparagraph (f), shall be reduced by the amount of any indebtedness secured by a lien affecting the Trust Property that is prior to or on a parity with the lien of this Deed of Trust, and shall not include the value of any personal property or other property that is not "real property" within the meaning of Treas. Reg. ss.ss. 1.860G-2 and 1.856-3(d);

(g) the Premises has adequate rights of access to public ways and is served by adequate water, sewer, sanitary sewer and storm drain facilities, all public utilities necessary or convenient to the full use and enjoyment of the Trust Property are located in the public right-of-way abutting the Premises, and

all such utilities are connected so as to serve the Trust Property without passing over other property, except to the extent such other property is subject to a perpetual easement for such utility benefitting the Trust Property and all roads necessary for the full utilization of the Trust Property for its current purpose have been completed and dedicated to public use and accepted by all applicable governmental or quasi-governmental authorities;

(h) to the best knowledge of Grantor, the Improvements are not located in a federally designated flood hazard area;

(i) to the best of Grantor's knowledge, the Improvements are free of structural defects and all building systems contained therein are in good working order subject to ordinary wear and tear;

(j) there are no pending or, to Grantor's best knowledge, proposed special or other assessments for public improvements or otherwise affecting the Trust Property, nor are there any contemplated improvements to the Trust Property that may result in such special or other assessments;

(k) Grantor has delivered a true, correct and complete copy of the Prime Lease affecting the Trust Property as of the date hereof;

(l) the Prime Lease constitutes the legal, valid and binding obligation of Grantor and, to the best of Grantor's knowledge and belief, is enforceable against the Prime Tenant.

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No default exists, or with the passing of time or the giving of notice would exist, under the Prime Lease and the Prime Tenant has no defense, offset or counterclaim against Grantor or against Prime Tenant's obligations under the Prime Lease;

(m) the Prime Tenant has not as of the date hereof paid rent more than thirty (30) days in advance, and the rents under the Prime Lease have not been waived, released, or otherwise discharged or compromised;

(n) all work to be performed by Grantor under the Prime Lease has been performed, all contributions to be made by Grantor thereunder have been made and all other conditions precedent to the Prime Tenant's obligations thereunder have been satisfied;

(o) the Prime Tenant has entered into occupancy of the Premises; and

(p) to the best of Grantor's knowledge and belief, the Prime Tenant is free from bankruptcy, reorganization or arrangement proceedings or a general assignment for the benefit of creditors.

54. ERISA. (a) Grantor represents and warrants that, as of the date of this Deed of Trust and throughout the term of the Loan, (i) Grantor is not an "employee benefit plan" as defined in Section 3(3) of the Employee Retirement Income Security Act of 1974, as amended ("ERISA"), which is subject to Title I of ERISA, (ii) the assets of such Grantor do not constitute "plan assets" of one or more such plans within the meaning of 29 C.F.R. Section 2510.3-101, as of the date of this Deed of Trust and throughout the term of this Deed of Trust, (iii) Grantor is not a "governmental plan" within the meaning of Section 3(32) of ERISA, and (iv) transactions by or with Grantor are not subject to state statutes regulating investments of and fiduciary obligations with respect to governmental plans.

(b) Grantor covenants and agrees to deliver to Beneficiary such certifications or other evidence from time to time throughout the term of the Loan as requested by Beneficiary in its sole discretion, that (i) Grantor is not an "employee benefit plan" or a "governmental plan", (ii) Grantor is not subject to state statutes regulating investments and fiduciary obligations with respect to governmental plans, and (iii) one or more of the following circumstances is true:

1. equity interests in Grantor are publicly offered securities, within the meaning of 29 C.F.R. ss. 2510.3-101(b) (2);

2. less than 25% of all equity interests in such Grantor are held by "benefit plan investors" within the meaning of 29 C.F.R. ss. 2510.3-101(f)(2); or
3. Grantor qualifies as an "operating company" or a "real estate operating company" within the meaning of 29 C.F.R. ss. 2510.3-101(c) or (e).

55. Intentionally Omitted.

Section 56. Intentionally Omitted.

Section 57. Prepayment. (a) Except as set forth in Section 57(b) hereof, no prepayment of the Debt may be made by Grantor in whole or in part.

(b) At any time subsequent to the third (3rd) anniversary of the date hereof, Grantor may prepay the Debt, in whole or, from time to time, in part, in accordance with the following provisions:

(i) Beneficiary shall have received from Grantor, not less than thirty (30) days', nor more than ninety (90) days', prior written notice specifying the date proposed for such prepayment (the "Prepayment Date"), which proposed date shall be a Payment Date (as defined in the Note).

(ii) Grantor shall also pay to Beneficiary all interest due through and including the day immediately prior to the Prepayment Date, together with any and all other amounts due and owing pursuant to the terms of the Note, this Deed of Trust or the Other Security Documents.

(iii) No Event of Default shall have occurred and be continuing.

(iv) Any partial prepayment of the Principal Amount (as defined in the Note) shall be applied to the installments of principal last due hereunder and shall not release or relieve Grantor from the obligation to pay the regularly scheduled installments of principal and interest becoming due under the Note.

(v) Grantor shall pay to Beneficiary on the Prepayment Date the following premium on the principal amount to be prepaid for the Loan Year in which the Prepayment Date occurs:

Loan Year	Premium
4-5	Greater of three percent (3%) and Yield Maintenance (as defined in the Note)
6-7	Greater of two percent (2%) and Yield Maintenance
7-10	Greater of one percent (1%) and Yield Maintenance

Section 58. Release of Trust Property. (a) If Grantor makes a prepayment of the entire Debt or the Allocable Loan Amount as defined in and set forth in Exhibit D annexed hereto pursuant to Section 57(b) hereof or if Beneficiary applies Net Proceeds towards the repayment of the Debt or the Allocable Loan Amount as defined in and set forth in Exhibit D annexed hereto, Beneficiary shall, promptly, upon satisfaction of all the following terms and conditions, execute, acknowledge and deliver to Grantor a release of this Deed of Trust (a "Release") in recordable form:

(i) Beneficiary shall have received on the Prepayment Date an

amount equal to the sum of one hundred percent (100%) of the amount listed as the "beginning balance" due as of the Prepayment Date as set forth on Schedule A-1 [or A-2 as applicable] of the Note, together with all other sums due and owing hereunder and, in the event of a prepayment pursuant to Section 57(b) hereof, the premium due pursuant to Section 57 hereof.

(ii) Grantor shall, at its sole expense, prepare any and all documents and instruments necessary to effect the Release, all of which shall be subject to the reasonable approval of Beneficiary, and Grantor shall pay all costs reasonably incurred by Beneficiary (including, but not limited to, reasonable attorneys' fees and disbursements, title search costs or endorsement premiums) in connection with the review, execution and delivery of the Release.

Section 59. Capital Repair, Maintenance and Replacement Reserve.

(a) As additional security for the Debt, Grantor shall establish and maintain at all times while this Deed of Trust continues in effect a repair reserve (the "Replacement Reserve") with Beneficiary for payment of costs and expenses incurred by Grantor in connection with the performance of work to the

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Improvements, including but not limited to the roofs, chimneys, gutters, downspouts, paving, curbs, ramps, driveways, balconies, porches, patios, exterior walls, exterior doors and doorways, windows, elevators and mechanical and HVAC equipment, except the chillers (collectively, the "Repairs"). Commencing on the first monthly payment date under the Note and continuing thereafter on each monthly payment date under the Note, Grantor shall pay to Beneficiary, concurrently with and in addition to the monthly payment due under the Note and until the Debt is fully paid and performed, a deposit to the Replacement Reserve in an amount equal to \$4,700.00 per month. So long as no default hereunder or under the Other Security Documents has occurred and is continuing, all sums in the Replacement Reserve shall be held by Beneficiary in the Replacement Reserve to pay the costs and expenses of Repairs. So long as no default hereunder or under the Other Security Documents has occurred and is continuing, Beneficiary shall, to the extent funds are available for such purpose in the Replacement Reserve, disburse to Grantor the amount paid or incurred by Grantor in performing such Repairs within ten (10) days following: (a) the receipt by Beneficiary of a written request from Grantor for disbursement from the Replacement Reserve and a certification by Grantor in a form approved in writing by Beneficiary that the applicable item of Repair has been completed; (b) the delivery to Beneficiary of invoices, receipts or other evidence satisfactory to Beneficiary, verifying the cost of performing the Repairs; (c) for disbursement requests in excess of \$50,000.00, the delivery to Beneficiary of affidavits, lien waivers or other evidence reasonably satisfactory to Beneficiary showing that all materialmen, laborers, subcontractors and any other parties who might or could claim statutory or common law liens and are furnishing or have furnished material or labor to the Trust Property have been paid all amounts due for labor and materials furnished to the Trust Property; (d) for disbursement requests in excess of \$50,000.00, delivery to Beneficiary of a certification from an inspecting architect or other third party acceptable to Beneficiary describing the completed Repairs and verifying the completion of the Repairs and the value of the completed Repairs; and (e) for disbursement requests in excess of \$50,000.00, delivery to Beneficiary of a new certificate of occupancy for the portion of the Improvements covered by such Repairs, if said new certificate of occupancy is required by law, or a certification by Grantor that no new certificate of occupancy is required. Beneficiary shall not be required to make advances from the Replacement Reserve more frequently than once in any ninety (90) day period. In making any payment from the Replacement Reserve, Beneficiary shall be entitled to rely on such request from Grantor without any inquiry into the accuracy, validity or contestability of any such amount. Beneficiary may, at Grantor's expense, make or cause to be made during the term of this Deed of

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Trust an annual inspection of the Trust Property to determine the need, as

determined by Beneficiary in its reasonable judgment, for further Repairs of the Trust Property. In the event that such inspection reveals that further Repairs of the Trust Property are required, Beneficiary shall provide Grantor with a written description of the required Repairs and Grantor shall complete such Repairs to the reasonable satisfaction of Beneficiary within ninety (90) days after the receipt of such description from Beneficiary, or such later date as may be approved by Beneficiary in its sole discretion. The Replacement Reserve shall not, unless otherwise explicitly required by applicable law, be or be deemed to be escrow or trust funds, but, at Beneficiary's option and in Beneficiary's discretion, may either be held in a separate account or be commingled by Beneficiary with the general funds of Beneficiary. Interest on the funds contained in the Replacement Reserve shall be credited to Grantor as provided in Subsection (c) hereof. The Replacement Reserve is solely for the protection of Beneficiary and entails no responsibility on Beneficiary's part beyond the payment of the costs and expenses described in this Section in accordance with the terms hereof and beyond the allowing of due credit for the sums actually received. In the event that the amounts on deposit or available in the Replacement Reserve are inadequate to pay the cost of the Repairs, Grantor shall pay the amount of such deficiency. Upon assignment of this Deed of Trust by Beneficiary, any funds in the Replacement Reserve shall be turned over to the assignee and any responsibility of Beneficiary, as assignor, with respect thereto shall terminate. If there is a default under this Deed of Trust or any of the Other Security Documents which is not cured within any applicable grace or cure period, Beneficiary may, but shall not be obligated to, apply at any time the balance then remaining in the Replacement Reserve against the Debt in whatever order Beneficiary shall subjectively determine. No such application of the Replacement Reserve shall be deemed to cure any default hereunder. Upon full payment of the Debt in accordance with its terms or at such earlier time as Beneficiary may elect, the balance of the Replacement Reserve then in Beneficiary's possession shall be paid over to Grantor and no other party shall have any right or claim thereto.

(b) As additional security for the payment and performance by Grantor of all duties, responsibilities and obligations under the Note and the Other Security Documents, Grantor hereby unconditionally and irrevocably assigns, conveys, pledges, mortgages, transfers, delivers, deposits, sets over and confirms unto Beneficiary, and hereby grants to Beneficiary a security interest in, (i) the Replacement Reserve (collectively, the "Reserves"), (ii) the accounts into which the Reserves have been deposited, (iii) all insurance on said accounts, (iv) all accounts, contract rights and general intangibles or other rights

and interests pertaining thereto, (v) all sums now or hereafter therein or represented thereby, (vi) all replacements, substitutions or proceeds thereof, (vii) all instruments and documents now or hereafter evidencing the Reserves or such accounts, (viii) all powers, options, rights, privileges and immunities pertaining to the Reserves (including the right to make withdrawals therefrom), and (ix) all proceeds of the foregoing. Grantor hereby authorizes and consents to the account into which the Reserves have been deposited being held in Beneficiary's name or the name of any entity servicing the Note for Beneficiary and hereby acknowledges and agrees that Beneficiary, or at Beneficiary's election, such servicing agent, shall have exclusive control over said account. Notice of the assignment and security interest granted to Beneficiary herein may be delivered by Beneficiary at any time to the financial institution wherein the Reserves have been established, and Beneficiary, or such servicing entity, shall have possession of all passbooks or other evidences of such accounts. Grantor hereby assumes all risk of loss with respect to amounts on deposit in the Reserves. Grantor hereby knowingly, voluntarily and intentionally stipulates, acknowledges and agrees that the advancement of the funds from the Reserves as set forth herein is at Grantor's direction and is not the exercise by Beneficiary of any right of set-off or other remedy upon a default. Grantor hereby waives all right to withdraw funds from the Reserves except as provided for in this Deed of Trust. If a default shall occur hereunder or under any other of the Other Security Documents which is not cured within any applicable grace or cure period, then Beneficiary may, without notice or demand on Grantor, at its option: (A) withdraw any or all of the funds (including, without limitation, interest) then remaining in the Reserves and apply the same, after deducting all costs and expenses of safekeeping, collection and delivery (including, but not limited to, reasonable attorneys' fees, costs and expenses) to the Debt or any other obligations of Grantor under the Other Security Documents in such manner as Beneficiary shall deem appropriate in its sole discretion, and the excess, if any, shall be paid to Grantor, (B) exercise any and all rights and remedies of a secured party under any applicable Uniform Commercial Code, or (C) exercise any other remedies available at law or in equity. No such use or application of the funds contained in the Reserves shall be deemed to cure any default hereunder or under the Other Security Documents.

(c) Beneficiary shall cause funds in the Replacement Reserve to be deposited into interest bearing accounts of the type customarily maintained by Beneficiary or its servicing agent for the investment of similar reserves, which accounts may not yield the highest interest rate then available. Interest payable on such amounts shall be computed based on the daily outstanding

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balance in the Replacement Reserve. Such interest shall be calculated on a simple, non-compounded interest basis based solely on contributions made to the Replacement Reserve by Grantor. All interest earned on amounts contributed to the Replacement Reserve shall be retained by Beneficiary and accumulated for the benefit of Grantor and added to the balance in the Replacement Reserve and shall be disbursed for payment of the items for which other funds in the Replacement Reserve are to be disbursed.

Section 60. Expansion Space Alterations; Financing Right of Initial Beneficiary. Beneficiary approves of the Alterations (as defined in the Prime Lease) described in Exhibit D-2B of the Prime Lease (the "Louisville Phase IIB Alterations"), subject to Prime Tenant's compliance with the provisions of Article X of the Prime Lease. Grantor agrees that CS First Boston Deed of Trust Capital Corp. (the "Initial Beneficiary") shall have the option, at Beneficiary's sole discretion, to finance the Louisville Phase IIB Alterations. Within five (5) business days from receipt of notice from the Prime Tenant that it intends to undertake the Louisville Phase IIB Alterations (the "Alteration Notice"), Grantor shall forward the Alteration Notice to the Initial Beneficiary. Within sixty (60) days of receipt of the Alteration Notice, Initial Beneficiary may provide a commitment (the "Commitment") to finance such alterations upon the following terms:

(a) 315 basis points over the 10-year U.S. Treasury yield rate in effect as of the funding date;

(b) an amortization schedule coterminous with the amortization schedule of the Debt;

(c) the prepayment provisions of the Phase IIB Financing shall coincide with the prepayment provisions of Section 57 hereof;

(d) 80% loan-to-value ratio;

(e) a 1:1.15 debt service coverage ratio;

and otherwise consistent with all of the other terms of this Note, this Deed of Trust and the Other Security Documents. Such financing shall be payable directly to the Prime Tenant, but shall be the obligation of Grantor. Beneficiary and Grantor shall amend the Note, this Deed of Trust and the Other Security Documents to reflect such financing or execute such other documents as may be necessary or desirable for the implementation thereof. Grantor shall have the option to reject the Commitment within ten (10) business days after receipt of the Commitment.

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If Grantor rejects the Commitment, Beneficiary shall be under no obligation to release the portion of the Trust Property subject to the Louisville Phase IIB Alterations except as provided in Section 58(a) hereof.

Section 61. Certain Matters Relating to Trust Property Located in the State of Colorado. With respect to the Trust Property which is located in the State of Colorado, notwithstanding anything contained herein:

(a) The Deed Trustee named herein is the Public Trustee of Boulder County, Colorado, who is a public official of such county created pursuant to C.R.S. ss.38-87-101. Therefore, certain provisions of this Deed of Trust, including those relating to the removal and substitution of the Deed Trustee, the fees to be charged by the Deed Trustee, the powers and rights of the Deed Trustee, and procedural requirements to be followed by the Deed Trustee

are each subject to applicable provisions of Colorado law.

(b) Upon the occurrence and during the continuance of any Event of Default, Beneficiary may take such action, without notice or demand, as it deems advisable to protect and enforce its rights against Grantor and in and to the Trust Property or any part thereof or interest therein, including, but not limited to, the following actions, at such time and in such order as Beneficiary may determine without impairing or otherwise affecting the other rights and remedies of Beneficiary:

(i) Declare a violation hereof and elect to advertise the Trust Property for sale and demand such sale. Then upon Beneficiary's filing notice of such election and demand for sale with the Deed Trustee (who shall upon receipt of such notice of election and demand for sale cause a copy of the same to be recorded in the office of the Clerk and Recorder of the County of Boulder, Colorado), it shall and may be lawful for said Deed Trustee to sell and dispose of the Trust Property (en masse or in separate parcels, as Beneficiary may designate) and all the right, title, and interest of Grantor, its successors and assigns therein, at public auction at the main entrance to the County Building in and for said County of Boulder, Colorado, or on the Trust Property, or any part thereof, or such other place as may be authorized or permitted by law, all as may be specified in the notice of such sale, for the highest and best price the same will bring in cash, four weeks, public notice having been previously given of the time and place of such sale, by advertisement weekly in some newspaper of general circulation at that time published in the County of Boulder Colorado. A copy of such notice of sale shall be given to

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Grantor at its address given herein, and to such person or persons appearing to have acquired a subsequent record interest in the Trust Property at the address given in the recorded instrument evidencing such interest, any such notice to be given in accordance with applicable law; provided, that where only the county and state are given as the address, such notice shall be mailed to the county seat. The Deed Trustee shall then make and give to the purchaser or purchasers of such Trust Property at such sale a certificate or certificates in writing describing such Trust Property purchased, and the sum or sums paid therefor, and the time when the purchaser or purchasers (or other persons entitled thereto) shall be entitled to a deed or deeds therefor, unless the same shall be redeemed as provided by law, and said Deed Trustee shall, upon demand by the person or persons holding the said certificate or certificates of purchase, when said demand is made, or upon demand by the person entitled to a deed to and for the Trust Property purchased, at the time such demand is made (the time for redemption having expired) make and execute to such person or persons a deed or deeds to the said Trust Property purchased, which said deed or deeds shall be in the ordinary form of a conveyance, and shall be signed, acknowledged, and delivered by the Deed Trustee, as grantor, and shall convey and quitclaim to such person or persons entitled to such deed, as grantee, the said Trust Property purchased as aforesaid, and all the right, title, interest, benefit, and equity of redemption of Grantor, its successors and assigns therein, and shall recite the sum or sums for which the said Trust Property was sold and shall refer to the power of sale herein contained, and to the sale or sales made by virtue thereof.

In case of an assignment of such certificate or certificates of purchase or in the case of redemption of such Trust Property by a subsequent encumbrancer, such assignment or redemption shall also be referred to in such deed or deeds, but the notice of sale need not be set out in such deed or deeds. The Deed Trustee shall, out of the proceeds or avails of such sale, after first paying and retaining all fees, charges, and costs of making said sale, apply the remaining proceeds of the sale first to Beneficiary for the payment of all moneys advanced by Beneficiary for insurance, repairs, appraisals, maintenance, inspection and testing fees, receivers' and management fees, leasing and sales commissions, advertising costs and expenses, taxes and assessments, environmental audits, environmental studies and reports, environmental tests and remediation costs, surveys, engineering studies and reports, engineering fees and expenses, soils tests, space planning

costs and expenses, contractors' fees, expert witness fees and expenses, copying charges, costs for title searches and examinations, title insurance premiums and expenses, filing and recording fees, all costs, fees and expenses incurred by Beneficiary to maintain, preserve and protect the Trust Property, reasonable legal fees, and any other costs or fees authorized in the Loan Agreement or by statute, with interest thereon from the date incurred until paid, and then to Beneficiary for the payment of the Debt in such manner and order of priority as Beneficiary shall elect in its sole and absolute discretion, rendering the overplus, if any, unto Grantor or its successor or assigns. Such sale or sales and said deed or deeds so made shall be a perpetual bar, both in law and equity, against Grantor and its successors and assigns, and all other persons claiming the said Trust Property, or any part thereof, by, through, from, or under Grantor. The holder of the Note may purchase the Trust Property or any part thereof. It shall not be obligatory upon the purchaser or purchasers at any such sale to see to the application of the purchase money. Nothing herein dealing with foreclosure procedures or specifying particular actions to be taken by Beneficiary or by the Deed Trustee shall be deemed to contradict or add to the requirements and procedures (now or hereafter existing) of Colorado law applicable to this Deed of Trust at the time of foreclosure, and any such conflict or inconsistency shall be resolved in favor of Colorado law;

(ii) Pay any sums in any form or manner deemed expedient by Beneficiary to protect the security of this instrument or to cure any Event of Default; make any payment herein authorized to be made according to any bill, statement, or estimate furnished or procured from the appropriate public officer or other party claiming payment without inquiry into the accuracy or validity thereof, and the receipt of any such public officer or party in the hands of Beneficiary shall be conclusive proof of the right of Beneficiary to make such payment (whether or not the validity or amount thereof be ultimately determined as false or incorrect), and Beneficiary shall have no liability for payment so made. All amounts so paid, with interest thereon from the date incurred until paid shall be added to and become a part of the Debt and be immediately due and payable to Beneficiary; and

(iii) Declare the Debt, including all monies advanced by Beneficiary under the terms hereof, to be due and payable.

IN WITNESS WHEREOF, Grantor has duly executed this Deed of Trust as of the day and year first above written.

QUANTUM PERIPHERALS REALTY CORPORATION,
Grantor

By: \s\Andrew Kryder

Name: Andrew Kryder
Title: President

M A S T E R L E A S E

QUANTUM PERIPHERALS REALTY CORPORATION

Lessor

AND

QUANTUM CORPORATION,

Lessee

Dated as of September 10, 1996

NOTE: ALL RIGHTS OF THE LESSOR IN AND TO THIS LEASE HAVE BEEN ASSIGNED TO CS FIRST BOSTON MORTGAGE CAPITAL CORP. AS ADDITIONAL SECURITY FOR A LOAN MADE BY IT TO THE LESSOR, WHICH LOAN IS FURTHER SECURED BY A MORTGAGE, DATED AS OF SEPTEMBER 10, 1996 AND A DEED OF TRUST DATED SEPTEMBER 10, 1996.

MASTER LEASE

This MASTER LEASE (this "Lease") is dated as of the 10th day of September, 1996, and is between Quantum Peripherals Realty Corporation ("Lessor"), a Delaware corporation having an address at 500 McCarthy Boulevard, Milpitas, California 95035 and Quantum Corporation ("Lessee"), a Delaware corporation having its principal office at 500 McCarthy Boulevard, Milpitas, California 95035 .

ARTICLE I

1.1. Leased Property; Term. Upon and subject to the terms and conditions hereinafter set forth, Lessor leases to Lessee and Lessee rents from Lessor all of Lessor's rights and interest in and to the following property (collectively, the "Leased Property"):

(a) the plots, pieces or parcel of land (the "Land") described in Exhibit A-1 and located in Shrewsbury, Massachusetts (hereinafter, the "Shrewsbury Property") and Exhibit A-2 and located in Louisville, Colorado (hereinafter the "Louisville Property") attached hereto,

(b) all buildings, structures, Fixtures and other improvements presently situated or hereafter constructed upon the Land (collectively, the "Leased Improvements"),

(c) all easements, rights and appurtenances relating to the Land and the Leased Improvements, and

(d) all equipment, machinery, fixtures, and other items of property, including all components thereof, now or hereafter located in, on and used in connection with, the operation or maintenance of the Leased Improvements, which are now or hereafter owned by Lessor, including, without limitation, all furnaces, boilers, heaters,

electrical equipment, heating, plumbing, ventilating, refrigerating, waste disposal, air-cooling and air conditioning apparatus, sprinkler systems and fire and theft protection equipment (other than Lessee's Equipment) and which are hereby deemed by the parties hereto to constitute real estate under the laws of the State, together with all replacements, modifications, alterations and additions thereto (collectively, the "Fixtures"),

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SUBJECT, HOWEVER, to the matters set forth in Exhibit A; to have and to hold for term of ten (10) years (the "Term") commencing on September 10, 1996 (the "Commencement Date"), and ending at midnight on October 1, 2006.

ARTICLE II

2.1. Definitions. As used in this Lease, (a) unless otherwise specified, all references to sections and articles shall refer to sections or articles of this Lease, (b) all terms defined herein in the singular shall have the same meanings when used in the plural and vice versa and (c) the following capitalized terms have the respective meanings set after them:

Additional Facilities: One or more new buildings or one or more additional structures annexed to any portion of the Leased Improvements which are constructed on the Land during the Term. No replacement, restoration or rebuilding of the Leased Improvements or any portion thereof shall be deemed an Additional Facility.

Additional Rent: As defined in Section 3.2.

Alterations: As defined in Section 10.1.

Basic Rent: As defined in Section 3.1.

Business Day: Each Monday, Tuesday, Wednesday, Thursday and Friday which is not a day on which national banks in the City of New York, State of New York are authorized, or obligated, by law or executive order to close.

Commencement Date: As defined in Section 1.1.

Consent: A Consent and Agreement being executed by Lessee contemporaneously herewith.

Consolidated Tangible Net Worth: The consolidated net worth of any Person and its Subsidiaries less the sum of the following consolidated items: (a) any surplus resulting from any write-up of assets; (b) goodwill, including any amounts (however designated on the balance sheet of such Person or any of its Subsidiaries) representing the cost of acquisitions of Subsidiaries in excess of underlying tangible assets, unless an appraisal of such assets made by a reputable firm of appraisers at the time of acquisition shall indicate sufficient value to cover such excess; (c) patents, trademarks, copyrights, leasehold improvements not recoverable at the expiration of a lease and deferred charges (including, but not limited to, unamortized debt discount and

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expense, organization expenses, experimental and development expenses, but excluding prepaid expenses and prepaid taxes); (d) any amounts at which shares of capital stock of such Person appear on the asset side of the balance sheet of such Person or any of its Subsidiaries; and (e) any amount of Debt not included in the computation of the consolidated net worth of such Person and its Subsidiaries.

Cost: The amount specified in Exhibit B.

Debt: With respect to Lessor or Lessee, (i) indebtedness for borrowed money, (ii) obligations evidenced by bonds, debentures, notes or other similar instruments, (iii) obligations to pay the deferred purchase price of property or

services other than trade accounts payable and accrued liabilities in the ordinary course of business, (iv) obligations as lessee under leases which shall have been or should be, in accordance with generally accepted accounting principles, recorded as capital leases, (v) obligations under direct or indirect guaranties in respect of, and obligations (contingent or otherwise) to purchase or otherwise acquire, or otherwise to assure a creditor against loss in respect of, indebtedness or obligations of others, including but not limited to the kinds referred to in clause (i) through (iv) above, and (vi) liabilities in respect of unfunded vested benefits under plans covered by Title IV of ERISA.

Default: Any condition or event which constitutes or would constitute an Event of Default either with or without notice or lapse of time, or both.

Environmental Report: The environmental audit report for the Leased Property and any supplements or updates thereto previously delivered to Lessor's Assignees including, without limitation, the following:

1. Environmental Audit, Parcel F, Lot 2, Block 1. Centennial Valley Business Park, Louisville, Colorado, prepared by HLA, February 17, 1995;

2. Phase II Site Investigation Report, Parcel F, Lot 2, Block 1, Centennial Valley Business Park, Louisville, Colorado, prepared by HLA, April 11, 1995;

3. Letter pertaining to soil excavation at Parcel F, Lot 2, Block 1, Centennial Valley Business Park, Louisville, Colorado, prepared by Edward Quevedo, Holtzmann, Wise & Shepard, July 9, 1995;

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4. Baseline Environmental, Health and Safety Evaluation, Digital Equipment Corporation, prepared by Arthur D. Little, Inc., September 1994;

5. Phase II Environmental Site Assessment, 333 South Street, Shrewsbury, Massachusetts, prepared by Rizzo Associates, Inc. January 5, 1995;

6. Phase I Environmental Assessment, Parcel F, Lot 2, Block 1, Centennial Valley Business Park, Louisville, Colorado, prepared by EMG, August 6, 1996; and

7. Phase I Environmental Assessment, 333 South Street, Shrewsbury, Massachusetts, prepared by EMG, August 5, 1996.

Event of Default: As defined in Section 17.1.

Fixed Term: As defined in Section 1.1.

Fixtures: As defined in Section 1.1.

GAAP: Generally accepted accounting principles in the United States of America, as of the date of the applicable financial report, consistently applied.

Hazardous Materials: Any flammable explosives, radioactive materials, hazardous materials, hazardous wastes, hazardous or toxic substances, or related materials, asbestos or any material containing asbestos, or any other substance or material as defined by any Federal, state or local environmental law, ordinance, rule, or regulation including, without limitation, the Comprehensive Environmental Response, Compensation, and Liability Act of 1980, as amended (42 U.S.C. Sections 9601, et seq.) ("CERCLA"), the Hazardous Materials Transportation Act, as amended (49 U.S.C. Sections 1801, et seq.), the Resource Conservation and Recovery Act, as amended (42 U.S.C. Sections 6901 et seq.) and in the regulations adopted and publications promulgated pursuant to each of the foregoing or by any Federal, state or local governmental authority having or claiming jurisdiction over the Leased Property.

Impositions: All taxes (including, without limitation, all ad valorem, sales and use, single business, gross receipts, transaction privilege or similar taxes), assessments (including, without limitation, all assessments for public improvements or benefits, whether or not commenced or completed prior to the

date hereof and whether or not to be completed within the Term), ground rents, water, sewer or other rents and charges, excises,

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levies, fees (including, without limitation, license, permit, inspection, authorization and similar fees), and all other governmental and quasi-governmental charges and other charges imposed by or owed to any ground lessor, in each case whether general or special, ordinary or extraordinary, or foreseen or unforeseen, of every character in respect of the Leased Property and/or the Basic Rent or Additional Rent (including all interest and penalties thereon), which at any time prior to, during or in respect of the Term hereof may be assessed or imposed on or in respect of or be a lien upon (a) Lessor or Lessor's Assignees, if any, (b) the Leased Property or any part thereof or any rent therefrom or any estate, right, title or interest therein, or (c) any occupancy, operation, use or possession of, or sales from, or activity conducted on, or in connection with the Leased Property or the leasing or use of the Leased Property or any part thereof, or the acquisition or financing of the acquisition of the Leased Property by Lessor. Nothing contained in this Lease shall be construed to require Lessee to pay any tax, assessment, levy or charge imposed on Lessor or Lessor's Assignees, if any, for the privilege of doing business in the State specifically as a corporation, or any capital levy, estate, inheritance, succession, transfer, net income or net revenue tax of Lessor or Lessor's Assignees, if any, except that if at any time after the date hereof the methods of taxation prevailing at the date hereof shall be altered so that in lieu of or as an addition to or as a substitute for the whole or any part of the taxes, assessments, rents, rates, charges, levies or impositions now assessed, levied or imposed upon all or any part of the Leased Property, there shall be assessed, levied or imposed (a) a tax, assessment, levy, imposition or charge based on the gross income or gross rents received therefrom from Lessee whether or not wholly or partially as a capital levy or otherwise which is calculated without deduction of any portion of such gross income or gross rents so received, or (b) a tax, assessment, levy, imposition or charge measured by or based in whole or in part upon all or any part of the Leased Property and imposed upon Lessor or Lessor's Assignees, if any, or (c) a license fee measured by the gross rents received from Lessee which is calculated without deduction of any portion of such gross rents so received, or (d) any other tax, assessment, levy, imposition, charge or license fee however described or imposed, then all such taxes, assessments, levies, impositions, charges or license fees or the part thereof so measured or based shall be deemed to be Impositions payable by Lessee hereunder; provided that any tax, assessment, levy, imposition or charge imposed on income from the Leased Property shall be calculated as if the Leased Property is the only asset of Lessor.

Indenture: Any mortgage, deed of trust or deed to secure debt, as applicable, constituting a first lien on the Leased

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Property as the same may be modified, amended or supplemented from time to time, which may be executed as security for any indebtedness of the Lessor.

Insurance Requirements: All terms of any insurance policy required by this Lease or applicable to the Leased Property, all requirements of the issuer of any such policy, and all regulations and then current standards applicable to or affecting the Leased Property or any use or condition thereof, which may, at any time, be recommended by either (a) the Board of Fire Underwriters, if any, having jurisdiction over the Leased Property, or (b) the Factory Mutual System (or any other body exercising similar functions).

Land: As defined in Section 1.1.

Leased Improvements; Leased Property: Each as defined in Section 1.1.

Lease Year: A twelve (12) month period commencing on the Commencement Date or on an annual anniversary date thereof, as the case may be.

Legal Requirements: All federal, state, county, municipal and other governmental statutes, laws, rules, orders, regulations, ordinances, judgments,

decrees and injunctions affecting either the Leased Property or the construction, use or alteration thereof, whether now or hereafter enacted and in force, including any which may (a) require repairs, modifications or alterations in or to the Leased Property or (b) in any way limit the use and enjoyment thereof, and all permits, licenses and authorizations and regulations relating thereto, and all covenants, agreements, restrictions and encumbrances contained in any instruments, either of record or known to Lessee, at any time in force affecting the Leased Property.

Lessee's Equipment: As defined in Section 6.2.

Lessor's Assignees: Collectively, any assignees designated in any collateral assignment of Lessor's interest in this Lease as additional security for any indebtedness of Lessor also secured by an Indenture.

Net Worth: With respect to any Person at any time, the remainder at such time, determined on a consolidated basis in accordance with GAAP, of (a) the total assets of such Person and its Subsidiaries minus (b) the sum (without limitation and without duplication of deductions) of (i) the total liabilities of such Person and its Subsidiaries and (ii) all reserves established by such Person and its Subsidiaries for anticipated

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losses and expenses (to the extent not deducted in calculating total assets in clause (a) above).

Note: Any secured promissory note of Lessor issued and delivered to evidence funds advanced to enable Lessor to acquire and pay for the Leased Property and any note or notes issued in substitution or exchange therefor or in replacement thereof.

Officer's Certificate: A certificate of Lessee signed by the president or any vice president or the treasurer, or another officer authorized to so sign by the board of directors or by-laws of Lessee.

Overdue Rate: A rate per annum equal to the "Default Rate" set forth in the Note.

Payment Date: Any due date for the payment of the installments of Basic Rent.

Permitted Use: Office, research and development use and any other lawful use.

Person: Any individual corporation, partnership, joint venture, estate, trust, unincorporated association, limited liability company, any federal, state, county or municipal government of any bureau, department or agency thereof and any fiduciary acting in such capacity on behalf of any of the foregoing.

Related Corporation: As defined in Section 24.1.

Rent: Collectively, the Basic Rent and Additional Rent.

Senior Debt: Any and all existing and future Debt of Lessee which by its terms is a senior obligation of Lessee including but not limited to, the obligations of (i) Lessee under (A) that certain Credit Agreement dated October 3, 1994, as amended, by and among Lessee and the Banks named therein, and (B) capital lease agreements, and (ii) Lessor under that certain Promissory Note dated as of the date hereof in favor of CS First Boston Mortgage Capital Corp.

Significant Subsidiary: A Subsidiary meeting any one of the following conditions:

(i) the assets of the Subsidiary, or the investments in and advances to the Subsidiary by the Lessee and the Lessee's other Subsidiaries, exceed fifteen percent of the assets of the Lessee and its Subsidiaries on a consolidated basis;

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(ii) the sales and operating revenues of the Subsidiary exceed ten percent of the sales and operating revenues of the Lessee and the Lessee's Subsidiaries on a consolidated basis; or

(iii) the Subsidiary is the parent of one or more Subsidiaries and, together with such Subsidiaries would, if considered in the aggregate, constitute a Significant Subsidiary.

State: The State or Commonwealth in which the Leased Property is located.

Subordinated Debt: Any indebtedness of Lessee or its Subsidiaries which is subordinated to the Senior Debt.

Subsidiary: (a) Any corporation more than 50% of whose voting stock is owned, controlled, directly or indirectly, by such entity or one or more other Subsidiaries of such entity, or (b) any limited partnership of which such entity or any of its Subsidiaries is a general partner, or (c) any other entity (other than a corporation) in which such entity or one or more other Subsidiaries of such entity, or such entity and one or more other Subsidiaries of such entity, directly or indirectly, owns more than 50% of the outstanding capital stock or has the power, through the ownership or voting stock, by contract or otherwise, to direct or cause the direction of the management and policies of such entity.

Successor Corporation: As defined in Section 24.3.

Taking: A taking or voluntary conveyance during the Term hereof of all or part of the Leased Property, or any interest therein or right accruing thereto or use thereof, as the result of, or in settlement of any condemnation or other eminent domain proceeding affecting the Leased Property whether or not the same shall have actually been commenced.

Unavoidable Delays: Delays due to strikes, lockouts, inability to procure materials, power failure, acts of God, governmental restrictions, enemy action, civil commotion, fire, unavoidable casualty or other causes beyond the control of Lessee, provided that lack of funds regardless of the cause therefor shall not be deemed a cause beyond the control of Lessee.

ARTICLE III

3.1. Basic Rent. Lessee will pay to Lessor in lawful money of the United States of America which shall be legal tender for the payment of public and private debts at Lessor's address set

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forth above or at such other place or to such other Persons as Lessor from time to time may designate in writing, a net basic rental (the "Basic Rent") in arrears during the Term, as follows:

The Basic Rent shall be an amount equal to \$4,658,849.34 per annum as a fixed obligation payable in equal consecutive monthly installments of \$388,237.44 each, commencing on November 1, 1996 and continuing thereafter on the 1st day of each month, through and including September 1, 2006, with a final payment of equal to the final payment due under that certain Promissory Note from Lessor as Maker to CS First Boston Mortgage Capital Corp. dated as of the date hereof due, October 1, 2006. The amount of Basic Rent allocable to the Shrewsbury Property is set forth in Exhibit C-1 attached hereto. The amount of Basic Rent allocable to the Louisville Property is set forth in Exhibit C-2 attached hereto.

Lessee agrees to wire federal or other immediately available funds in payment of the Basic Rent to Lessor, or as Lessor may direct, on the day each payment is due, or if such day is not a Business Day then on the next Business Day prior to such date, so that Lessor shall receive immediately available funds in such location as Lessor may designate on each such date. The Basic Rent shall be paid absolutely net to Lessor, so that this Lease shall yield to Lessor the full amount of the installments of Basic Rent throughout the Term, all as more fully set forth in Section 5.1. If any portion of the Basic Rent is not paid within 5 days after the date on which it is due, Lessee shall pay to Lessor on demand an amount equal to the lesser of 5% of such unpaid portion of Basic Rent or the maximum amount permitted by applicable law, to defray the expense incurred by Lessor in handling and processing such delinquent payment and to compensate Lessee for the loss of the use of such delinquent payment.

3.2. Additional Rent. In addition to the Basic Rent, Lessee will also pay and discharge as additional rent (collectively, the "Additional Rent") all other amounts, liabilities, obligations and Impositions which Lessee assumes or agrees to pay under this Lease, and in the event of any failure on the part of Lessee to pay any of the foregoing, every fine, penalty, interest and cost which may be added for nonpayment or late payment thereof and Lessor shall have all legal, equitable and contractual rights, powers and remedies provided either in this Lease or by statute or otherwise as in the case of non-payment of the Basic Rent. If any installment of Basic Rent or Additional Rent shall not be paid within five (5) days after its due date, Lessee will pay Lessor on demand, as Additional Rent, interest on such overdue amount (to the extent permitted by law) computed at the Overdue Rate (or at the maximum rate permitted by law, whichever is the lesser) on the amount of such installment, from the due date of such installment to the date of payment thereof.

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ARTICLE IV

4.1. Payment of Impositions. Subject to Section 13.1 relating to permitted contests, Lessee will pay, or cause to be paid, all Impositions before any fine, penalty, interest or cost may be added for non-payment, such payments to be made directly to the taxing authorities where feasible, and will promptly, upon request, furnish to Lessor and Lessor's Assignees, if any, copies of official receipts or other satisfactory proof evidencing such payments, except that, with respect to all real estate taxes and assessments, Lessee shall, upon request of Lessor or Lessor's Assignees and at Lessee's expense, contract with a tax delinquency reporting service satisfactory to Lessor's Assignees, if any, to provide Lessor's Assignees with periodic status reports as to all such payments in respect of the Leased Property. Lessee's obligation to pay Impositions shall be deemed absolutely fixed upon the date such Impositions, respectively, become a lien upon the Leased Property or any part thereof. If any Imposition may, at the option of the taxpayer, lawfully be paid in installments (whether or not interest shall accrue on the unpaid balance of such Imposition), Lessee may exercise the option to pay the same (and any accrued interest on the unpaid balance of such Imposition) in installments and in such event, shall pay such installments during the Term hereof as the same respectively become due and before any fine, penalty, premium, further interest or cost may be added thereto. Lessee, at its expense, shall prepare and, to the extent it may legally do so, file all tax returns and reports in respect of any Imposition as may be required by governmental authorities. If any refund shall be due from any taxing authority in respect of any Imposition paid by Lessee, provided that no Event of Default shall have occurred, the same shall be retained by Lessee. In the event that an Event of Default shall have occurred, any such refund shall be the property of Lessor and, if received by Lessee, shall be promptly paid over to Lessor. The provisions of this Section 4.1 shall survive termination of this Lease.

4.2. Notice of Impositions. Lessor shall give prompt notice to Lessee of all Impositions payable by Lessee hereunder of which Lessor at any time has knowledge, but Lessor's failure to give any such notice shall in no way diminish Lessee's obligations hereunder.

4.3. Adjustment of Impositions. Impositions imposed in respect of the tax fiscal period during which the Term terminates shall be adjusted and prorated between Lessor and Lessee, whether or not such Imposition is imposed before or after such termination, and Lessee's obligation to pay its prorated share thereof shall survive such termination.

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4.4. Utility Charges. Lessee will pay or cause to be paid all charges for electricity, power, gas, oil, water and other utilities used in connection with the Leased Property.

4.5. Insurance Premiums. Lessee will pay or cause to be paid all premiums for the insurance coverage required to be maintained pursuant to Section 14.1.

ARTICLE V

5.1. No Termination, Abatement, etc. Except as otherwise specifically provided herein, Lessee shall remain bound by this Lease in accordance with its terms and shall neither take any action to modify, surrender or terminate the same, nor seek nor be entitled to any abatement, deduction, deferment or reduction of Rent, or set-off against the Rent, nor shall the respective obligations of Lessor and Lessee be otherwise affected by reason of (a) any damage to, or destruction of, the Leased Property or any portion thereof from whatever cause or any Taking or any portion thereof, (b) the lawful or unlawful prohibition of, or restriction upon, Lessee's use of the Leased Property or any portion thereof, the interference with such use by any Person or by reason of any eviction by paramount title, or any other defect in title, or Lessee's acquisition of ownership of the Leased Property otherwise than pursuant to an express provision of this Lease, (c) any claim which Lessee has or might have against Lessor or against any of Lessor's Assignees, if any, or by reason of any default or breach of any warranty by Lessor under this Lease or any other agreement between Lessor and Lessee, or to which Lessor and Lessee are parties, (d) any bankruptcy, insolvency, reorganization, composition, readjustment, liquidation, dissolution, winding up or other proceedings affecting Lessor or any assignee or transferee of Lessor, or any action with respect to this Lease that may be taken by a trustee or receiver of Lessor or any assignee of Lessor or by any court in any such proceeding, or (e) for any other cause whether similar or dissimilar to any of the foregoing. Lessee hereby specifically waives all rights, arising from any occurrence whatsoever, which may now or hereafter be available to Lessee by law or in equity to (i) modify, surrender or terminate this Lease or quit or surrender the Leased Property or any portion thereof, or (ii) entitle Lessee to any abatement, reduction, suspension or deferment of the Rent or other sums payable by Lessee hereunder, except as otherwise specifically provided in this Lease. The obligations of Lessor and Lessee hereunder shall be separate and independent covenants and agreements and the net Basic Rent and Additional Rent and all other sums payable by Lessee hereunder shall continue to be payable in all events unless the obligations

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to pay the same shall be terminated pursuant to the express provisions of this Lease.

ARTICLE VI

6.1. Ownership of the Leased Property. Lessee acknowledges that the Leased Property is the property of Lessor and that Lessee has only the right to the possession and use of the Leased Property upon the terms and conditions of this Lease.

6.2. Lessee's Equipment. Lessee may, at its expense, install or assemble or place on the Land or in the Leased Improvements, and remove and substitute, any items of machinery, equipment, furnishings or trade fixtures or other personal property owned by Lessee and used or useful in Lessee's business (collectively, "Lessee's Equipment"), and Lessee shall remove the same upon the expiration or prior termination of the Term; provided, however, that Lessee shall have no right to remove any item which constitutes a Fixture. All Lessee's Equipment shall be and remain the property of Lessee, provided that any of Lessee's Equipment not removed by Lessee upon the expiration or earlier termination of this Lease shall be considered abandoned by Lessee and may be appropriated, sold, destroyed or otherwise disposed of by Lessor without first giving notice thereof to Lessee and without obligation to account therefor. All costs and expenses incurred in removing, storing and disposing of Lessee's Equipment shall be paid by Lessee. Lessee will repair, at its expense, all damage to the Leased Property caused by the removal of Lessee's Equipment, whether effected by Lessee or Lessor. Lessor shall not be responsible for any loss or damage to Lessee's Equipment.

ARTICLE VII

7.1. Condition of the Leased Property. Lessee acknowledges receipt and delivery of possession of the Leased Property and that Lessee has examined title to, and the condition of, the Leased Property prior to the execution and delivery of this Lease and has found the same to be in good order and repair and satisfactory for all purposes hereunder. Lessee is renting the Leased Property "as is" in its present condition. LESSOR MAKES NO WARRANTY OR REPRESENTATION, EXPRESS OR IMPLIED, IN RESPECT OF THE LEASED PROPERTY OR ANY PART THEREOF, EITHER AS TO ITS FITNESS FOR USE, DESIGN OR CONDITION FOR ANY PARTICULAR USE OR PURPOSE OR OTHERWISE, AS TO QUALITY OF THE MATERIAL OR WORKMANSHIP THEREIN,

LATENT OR PATENT, OR AS TO LESSOR'S TITLE THERETO OR OTHERWISE, IT BEING AGREED THAT ALL SUCH RISKS ARE TO BE BORNE BY LESSEE.

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LESSEE ACKNOWLEDGES THAT THE LEASED PROPERTY HAS BEEN INSPECTED BY LESSEE AND IS SATISFACTORY TO IT.

7.2. Use of the Leased Property. Lessee may use the Leased Property only for the Permitted Use. Lessee agrees that it will not permit any unlawful occupation, business or trade to be conducted on the Leased Property or any use to be made thereof contrary to any Legal Requirements or Insurance Requirements applicable thereto. Lessee shall not use or occupy or permit the Leased Property to be used or occupied, nor do or permit anything to be done in or on the Leased Property or any part thereof, in a manner that may make it impossible to obtain any insurance thereon which Lessee is, or may be, required to furnish hereunder, or that will cause or be likely to cause structural injury to any of the Leased Improvements, or that will constitute a public or private nuisance or waste.

ARTICLE VIII

8.1. Compliance with Legal and Insurance Requirements, Instruments, etc. Subject to Section 13.1 relating to permitted contests, Lessee, at its expense, will promptly (a) comply with all Legal Requirements and Insurance Requirements in respect of the use, operation, maintenance, repair and restoration of the Leased Property, whether or not compliance therewith shall require structural changes in any of the Leased Improvements or interfere with the use and enjoyment of the Leased Property, and whether or not such Legal Requirements or Insurance Requirements represent a change in policy of the entity promulgating or enforcing any such Legal Requirement or Insurance Requirement, and (b) procure, maintain and comply with all licenses and other authorizations required for any use of the Leased Property then being made, and for the proper erection, installation, operation and maintenance of the Leased Improvements or any part thereof.

ARTICLE IX

9.1. Maintenance and Repair. (a) Lessee, at its expense, will keep the Leased Property and all private roadways, sidewalks and curbs appurtenant thereto in good order and repair (ordinary wear and tear excepted), and, with reasonable promptness, make all necessary and appropriate repairs thereto of every kind and nature, whether interior or exterior, structural or non-structural, ordinary or extraordinary, foreseen or unforeseen or arising by reason of a condition existing prior to the commencement of the Term of this Lease (concealed or otherwise). All repairs shall, to the extent possible, be at least equivalent in quality to the original work. Lessee will not take or omit to

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take any action the taking or omission of which might materially impair the value or the usefulness of the Leased Property or any part thereof or commit any waste of the Leased Property or any part thereof.

(b) Lessor shall not under any circumstances be required to build any improvements on the Leased Property, or to make any repairs, replacements, alterations or renewals of any nature or description to the Leased Property, whether ordinary or extra-ordinary, structural or non-structural, foreseen or unforeseen, or to make any expenditure whatsoever in connection with this Lease, or to maintain the Leased Property in any way. Lessee hereby waives the right to make repairs at the expense of Lessor pursuant to any law in effect at the time of the execution this Lease or hereafter enacted.

(c) Nothing contained in this Lease and no action or inaction by Lessor shall be construed as (i) constituting the consent or request of Lessor, expressed or implied, to any contractor, subcontractor, laborer, materialman or vendor to or for the performance of any labor or services or the furnishing of any materials or other property for the construction, alteration, addition, repair or demolition of or to the Leased Property or any part thereof, or (ii)

giving Lessee any right, power or permission to contract for or permit the performance of any labor or services or the furnishing of any materials or other property in such fashion as would permit the making of any claim against Lessor in respect thereof or to make any agreement that may create, or in any way be the basis for, any right, title, interest, lien, claim or other encumbrance upon the estate of Lessor in the Leased Property.

(d) Unless Lessor shall convey the Leased Property to Lessee pursuant to the provisions of this Lease, upon the expiration or prior termination of the Term, Lessee will vacate and surrender the Leased Property to Lessor in substantially the same condition in which the Leased Property was originally received from Lessor, except as repaired, rebuilt, restored, altered or added to as permitted or required by the provisions of this Lease.

9.2. Encroachments, Restrictions, etc. If any of the Leased Improvements shall, at any time, encroach upon any property, street or right-of-way adjacent to the Leased Property, or shall violate the agreements or conditions contained in any restrictive covenant or other agreement affecting the Leased Property, or any part thereof, or shall impair the rights of others under any easement or right-of-way to which the Leased Property is subject, then promptly upon the request of Lessor or at the behest of any Person affected by any such encroachment,

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violation or impairment, Lessee shall, at its expense, subject to its right to contest the existence of any encroachment, violation or impairment and in such case, in the event of an adverse final determination, either (i) obtain valid and effective waivers or settlements of all claims, liabilities and damages resulting from each such encroachment, violation or impairment, whether the same shall affect Lessor or Lessee or (ii) make such changes in the Leased Improvements and take such other actions as shall be necessary to remove such encroachment and to end such violation or impairment, including, if necessary, the alteration of any of the Leased Improvements. Any such alteration shall be made in conformity with the requirements of Section 10.1.

ARTICLE X

10.1. Alterations, Substitutions and Replacements. Lessee, at its expense, may at any time and from time to time make alterations of, and additions to, the Leased Improvements or any part thereof and substitutions and replacements for the same (collectively, "Alterations"), provided that (a) the market value of the Leased Property shall not be reduced or its usefulness impaired, (b) the work shall be done expeditiously and in a good and workmanlike manner, (c) the plans and specifications for any single Alteration with an estimated cost in excess of \$500,000, or, in the case of structural Alterations, \$250,000 shall be approved in writing by Lessor, such approval not to be unreasonably withheld; provided, however, that if the Lessee shall not have received either approval or rejection of any such plans and specifications within twenty (20) business days after delivery of the same to Lessor and Lessor's Assignees, if any, such plans and specifications shall be conclusively deemed approved for all purposes hereof, (d) Lessee shall comply with all Legal Requirements and Insurance Requirements, if any, applicable to the work, and (e) Lessee shall promptly pay all costs and expenses and discharge any and all liens arising in respect of the work. All Alterations shall immediately become and remain the property of Lessor, shall be deemed part of the Leased Property, and shall be subject to all of the terms and provisions of this Lease. In case the estimated cost of any Alteration exceeds \$500,000 or, in the case of Structural Alterations \$250,000, such Alteration shall be made under the supervision of a qualified architect, engineer or contractor who shall have been approved in writing by Lessor, which approval shall not be unreasonably withheld. No Alterations shall be made which would tie in or connect any Leased Improvements on the Leased Property with any other improvements on property adjacent to the Leased Property. Provided Lessee is not then in Default under this Lease, upon the expiration or earlier termination of the Term hereof, Lessee shall have no obligation to restore the

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Leased Improvements to their condition existing prior to the making of

Alterations permitted by this Section. Notwithstanding the foregoing, Lessor acknowledges and consents to Lessee making the Alterations to the Leased Property described in Exhibits D-1, D-2A and D-2B annexed hereto, provided that (i) such Alterations are comparable in design and quality of construction as the Leased Improvements and (ii) the conditions of clauses (a) - (d), inclusive, above are met. All of the Alterations set forth in Exhibit D-2A shall be completed and a temporary certificate of occupancy covering such Alterations delivered to Lessor's lender CS First Boston Mortgage Capital Corp. ("Lender") prior to April 30, 1997. Lessee agrees to notify Lessor in writing of Lessee's intention to construct any of such Alterations.

10.2. Right of Lessor's Lender to Provide Financing for Alterations. Lessee acknowledges that Lender, pursuant to Section 60 of that certain deed of trust granted by Lessor to Trustee for the benefit of Lender, (the "Deed of Trust") dated as of the date hereof shall have the option to provide financing for the Alterations described in Exhibit D2-B annexed hereto (the "Phase IIB Financing"). Lessee agrees that the proceeds of the Phase IIB Financing shall be accepted directly by it for use in completing the Alterations in accordance with the terms of this Article X. In the event Lender provides the Phase IIB Financing, Lessee agrees to amend Exhibit C-2 of this Lease to reflect an increase in the Basic Rent equal to the debt service of such financing times the relevant debt service coverage ratio.

10.3. Salvage. All materials which are scrapped or removed in connection with the making of either Alterations permitted by Section 10.1 or repairs required by Article IX may be treated by Lessee as its own property and Lessee shall be entitled to all salvage resulting therefrom.

ARTICLE XI

11.1. Environmental Matters. In the event any activity has been, or in the future will be, conducted at the Leased Property or any past, present or future use of the Leased Property in any manner (a) which would cause the Leased Property to become a hazardous waste treatment storage or disposal facility within the meaning of, or otherwise bring the Leased Property within the ambit of, the Resource Conservation and Recovery Act of 1976, 42 U.S.C. ss.ss. 6901 et seq., or any other federal, state or local law, rule, ordinance or regulation relating to Hazardous Materials, (b) so as to cause a release or threatened release of Hazardous Materials from the Leased Property within the meaning of, or otherwise bring the Leased Property within the ambit of, the Comprehensive Environmental Response, Compensation and Liability

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Act of 1980, 42 U.S.C. ss.ss. 9601-9657, or any other federal, state or local law, rule, ordinance or regulation relating to Hazardous Materials or (iii) so as to cause the discharge of pollutants or effluents into any water source or system, or the discharge into the air of any emissions, which would require a permit under the Federal Water Pollution Control Act, 33 U.S.C. ss.ss. 1251 et seq., or the Clean Air Act, 42 U.S.C. ss.ss. 7401 et seq., or any other federal, state or local law, rule, or ordinance or regulation relating to Hazardous Materials, Lessee, upon discovery, agrees to promptly notify Lessor and Lessor's Assignees, if any, of any claim made in respect of any of the foregoing. In the event that the Lessee discovers that Hazardous Materials exist on the Leased Property in violation of any applicable law, rule, ordinance or regulation (whether or not disclosed in the Environmental Report) Lessee shall also promptly notify Lessor of such condition and shall with all due diligence take every action necessary to remove such Hazardous Materials in a manner and to the extent required by applicable law.

ARTICLE XII

12.1. Liens. Subject to Section 13.1 relating to contests, Lessee will not directly or indirectly create or allow to remain and will promptly discharge at its expense any lien, encumbrance, attachment, title retention agreement or claim upon the Leased Property or any attachment, levy, claim or encumbrance in respect of the Basic Rent or Additional Rent provided under this Lease, not including, however, (a) this Lease, (b) any Indenture, (c) restrictions, liens and other encumbrances which are consented to in writing by Lessor and Lessor's Assignees, if any, or any easements which do not materially and adversely affect (1) the marketability of title to the Leased Property, (2) the use of the Leased Property for all purposes of this Lease or (3) the fair market value of the Leased Property, provided that Lessee shall first have delivered an Officer's Certificate to Lessor and Lessor's Assignees, if any, certifying as to the matters set forth in clauses (1) and (2), (e) liens for those taxes of Lessor which Lessee is not required to pay hereunder, (f) subleases permitted by

Article XXIV, liens for Impositions or for sums resulting from noncompliance with Legal Requirements so long as (1) the same are not yet delinquent or are payable without the addition of any fine or penalty or (2) such liens are in the process of being contested as permitted by Section 13.1, and (g) liens of mechanics, laborers, materialmen, suppliers or vendors for sums either disputed or not yet due, provided that (1) the payment of such sums shall not be postponed under any related contract for more than sixty (60) days after the completion of the action giving rise to such lien and such reserve or other appropriate provisions as shall be required by

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law or sound accounting principles shall have been made therefor or (2) any such liens are in the process of being contested as permitted by Section 13.1.

ARTICLE XIII

13.1. Permitted Contests. Lessee, on Lessor's behalf, but at Lessee's expense, may contest, by appropriate legal proceedings conducted in good faith and with due diligence, the amount or validity or application, in whole or in part, of any Imposition or any Legal Requirement or Insurance Requirement or any lien, encumbrance, charge or claim not permitted by Section 12.1, provided that (a) in the case of an unpaid Imposition, lien, encumbrance, charge or claim, the commencement and continuation of such proceedings shall suspend the collection thereof from Lessor and/or from the Leased Property, (b) neither the Leased Property nor any rent therefrom nor any part thereof or interest therein would be in any immediate danger of being sold, forfeited, terminated, cancelled or lost, (c) in the case of a Legal Requirement, Lessor would not be in any immediate danger of civil or criminal liability for failure to comply therewith pending the outcome of such proceedings, (d) in the case of a Legal Requirement and/or an Imposition, lien, encumbrance or charge, Lessee shall give such reasonable security as may be demanded by Lessor or Lessor's Assignees, if any, to insure ultimate payment of the same, including, without limitation, all interest and penalties thereon, and to prevent any sale or forfeiture of the Leased Property, the Basic Rent and any Additional Rent by reason of such non-payment or noncompliance, provided, however, the provisions of this Section shall not be construed to permit Lessee to contest the payment of Basic Rent, Additional Rent or any other sums payable by Lessee to Lessor hereunder, (e) in the case of an Insurance Requirement, the coverage required by Article XIV shall be maintained, (f) Lessee shall have set aside adequate reserves for the payment of any unpaid Imposition, Legal Requirement, lien, encumbrance or charge, and (g) if such contest be finally resolved against Lessor or Lessee, Lessee shall, as Additional Rent due hereunder, promptly pay the amount required to be paid, together with all interest and penalties accrued thereon, or comply with the applicable Legal Requirement or Insurance Requirement. Lessor, at Lessee's expense, shall execute and deliver to Lessee such authorizations and other documents as may reasonably be required in any such contest, and, if reasonably requested by Lessee, Lessor shall join as a party therein. Lessee shall indemnify and save Lessor harmless against any liability, cost or expense of any kind that may be imposed upon Lessor in connection with any such contest and any loss resulting therefrom.

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ARTICLE XIV

14.1. Insurance. So long as this Lease remains in effect, Lessee agrees to maintain at all times and at its expense insurance, with deductible provisions not to exceed the sum of \$150,000 per policy, covering the Leased Property as follows:

(a) insurance against loss or damage by fire, casualty and other hazards included in an "all-risk" extended coverage endorsement, including, but not limited to, riot and civil commotion, malicious mischief, vandalism, windstorm or earthquake, covering the Leased Improvements and Fixtures ("Insured Property") in an amount not less than the greater of (i) 100% of the insurable replacement value of the Insured Property (exclusive of the Land and footings and foundations)

and (ii) such other amount as is necessary to prevent any reduction in such policy by reason of and to prevent Lessee, Lessor or any other insured thereunder from being deemed to be a co-insurer;

(b) commercial comprehensive general liability insurance against claims for personal and bodily injury and/or death to one or more persons or property damage, occurring on, in or about the Leased Property (including the adjoining streets, sidewalks and passageways therein) in an amount not less than \$10,000,000;

(c) business interruption insurance with loss payable to Lessor in an amount not less than 100% of the actual Basic Rent plus any Percentage Rent and all expenses of the Leased Property which Lessee shall be obligated to pay or reimburse under this Lease for the succeeding twelve (12) month period with respect to the Leased Property;

(d) insurance against loss or damages from (i) leakage of sprinkler systems and (ii) explosion of steam boilers, air conditioning equipment, pressure vessels or similar apparatus now or thereafter installed at the Land, in such amounts as the Lessor may from time to time reasonably require;

(e) flood insurance in an amount equal to the full insurable value of the Insured Property if it is located in an area designated by the Secretary of Housing and Urban Development as being "an area of special flood hazard" under the National Flood Insurance Program (i.e., having a one percent or greater chance of flooding), and if flood insurance is available under the National Flood Insurance Act;

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(f) worker's compensation insurance or other similar insurance which may be required by law;

(g) during the period when any addition, alteration, construction, installation or demolition is being made to any part of the Leased Improvements, contingent liability, public liability, completed value, builder's risk (non-reporting form), workmen's compensation and other insurance as is customarily maintained in respect of property similar to the Leased Property under similar circumstances.

Lessee may effect all coverage required herein under its blanket insurance policies, if available thereunder, and all such policies shall be written by companies presently or hereafter insuring the properties of Lessee; provided, however, that (i) any such policy of blanket insurance either shall specify therein, or Lessee shall furnish Lessor a written statement from the insurer under such policy so specifying, the amount of the total insurance allocated to the Leased Property, which amount shall not be less than the amount required pursuant to this Article, (ii) any policy of blanket insurance hereunder shall comply in all respects with the other provisions of this Article, and (iii) the protection afforded Lessor, the Lessor's Assignees, if any, and Lessee under any such policy of blanket insurance shall be no less than that which would have been afforded under a separate policy or policies relating only to the Leased Property. Unless Lessor shall otherwise agree, such insurance shall be written by companies having a "claims paying ability" of not less than "A" from Standard & Poor's.

14.2. Policy Provisions and Certificates. The insurance maintained by Lessee under clauses (a), (b), (c), (d), (e), and (g) of Section 14.1 shall name Lessor and Lessee, as insureds, as their respective interests may appear, and shall bear a standard non-contributory first mortgagee endorsement, as appropriate, in favor of Lessor's Assignees, if any, as loss payees. The insurance maintained by Lessee under clauses (a), (b), (c) (d), (e), and (g) of Section 14.1 shall provide that all property losses insured against shall be adjusted by Lessee (subject to Lessor's approval of final settlement of estimated losses of Three Hundred Thousand (\$300,000) Dollars or more) and that the proceeds thereof shall be paid to Lessor, to be applied in the manner hereinafter set forth in Section 15.1 and Section 15.3. All insurance maintained by Lessee shall provide that (a) no cancellation or reduction thereof shall be effective until at least thirty (30) days after receipt by Lessor and Lessor's Assignees, if any, of written notice thereof, and (b) all losses shall be payable notwithstanding any act or negligence of Lessor, Lessor's Assignees, if any, or Lessee or their respective agents

or employees which might, absent such agreement, result in a forfeiture of all or part of such insurance payment and notwithstanding (a) the occupation or use of the Leased Property for purposes more hazardous than permitted by the terms of such policy, (b) any foreclosure or other action or proceeding taken pursuant to any provision of any Indenture upon the happening of an event of default thereunder or (c) any change in title or ownership of the Leased Property or any part thereof. Lessee will, within fifteen days after the same first becomes due hereunder, furnish to Lessor and Lessor's Assignees, if any, certificates for the insurance required by Section 14.1, and not less than thirty (30) days before the expiration of any such insurance, certificates evidencing the replacement or renewal thereof, together with written evidence that the premium therefor has been paid.

14.3. Subrogation. In respect of any real, personal or other property located in, at or upon the Leased Property, and in respect of the Leased Property itself, Lessee hereby releases Lessor and Lessor's Assignees, if any, from any and all liability or responsibility to Lessee or anyone claiming by, through or under Lessee, by way of subrogation or otherwise, for any loss or damage caused by fire or any other casualty whether or not such fire or other casualty shall have been caused by the willful fault or gross negligence of Lessor or Lessor's Assignees or anyone for whom any of said Persons may be responsible. If generally available from insurance carriers, Lessee shall require its fire, extended coverage and other casualty insurance carriers to include in lessee's policies a clause or endorsement whereby the insurer waives any rights of subrogation against Lessor and Lessor's Assignees, if any.

14.4. Other Insurance. Lessee shall not take out separate insurance concurrent in form or contributing in the event of loss with that required by this Article to be furnished by Lessee unless Lessor and Lessor's Assignees, if any, are included therein as named insureds as their respective interests may appear, with loss payable as in this Article provided. Lessee shall immediately notify Lessor and Lessor's Assignees, if any, whenever any such separate insurance is taken out and shall deliver the policy or policies or duplicates thereof, or certificates evidencing the same as provided in this Article.

ARTICLE XV

15.1. Notice of Damage, Destruction or Taking; Condemnation Awards. In case of any material damage to or destruction of the Leased Property or any part thereof or in case of any Taking, Lessee shall forthwith give notice thereof to Lessor. If Lessor shall be advised by the condemning authority of a proposed Taking, Lessor shall forthwith give notice thereof to Lessee, but its failure to do so shall not affect the rights of the parties as set forth in this Article. In case of any such Taking, damage or destruction, Lessor, shall be entitled to all awards or insurance payments on account thereof, and Lessee hereby irrevocably assigns to Lessor all rights of Lessee to any such award or payment and irrevocably authorizes and empowers Lessor in the name of Lessee or otherwise, to file and prosecute what would otherwise be Lessee's claim for any portion of such award or payment, and to collect, receipt for and retain the same, except as hereinafter provided, excepting and reserving to Lessee its rights to any separate award for relocation expenses, goodwill and trade fixtures (excluding Fixtures). Unless an Event of Default shall have occurred, all sums so received by Lessor, shall be applied in accordance with the provisions of Section 15.3, except that any such sums received with respect to a Taking for temporary use shall be applied in accordance with the provisions of Section 15.2. If an Event of Default shall have occurred at the time of receipt of any such award or payment, the same shall be paid to and retained by Lessor. Lessee will pay all costs and expenses, including attorneys' fees, incurred by Lessor or Lessor's Assignees, if any, in connection with any such Taking and the seeking and obtaining of any award or payment in respect thereof. For the purposes of this Lease, all amounts paid pursuant to any agreement with any condemning authority in settlement of any condemnation or other eminent domain proceeding affecting the Leased Property shall be deemed to constitute an award made in such proceeding whether or not the same shall have actually been commenced. For the purposes of this Article, the terms "net proceeds" and "net awards" shall mean, respectively, (i) any insurance proceeds in respect of any damage to or destruction of the Leased Property or any part thereof, or (ii) any

awards in connection with any Taking thereof, in each case, less all costs and expenses, including attorneys' fees, incurred in connection with the seeking and obtaining of any such proceeds or awards.

15.2. Taking for Temporary Use. In case of a Taking for temporary use, there shall be no termination, cancellation or modification of this Lease, and Lessee shall continue to perform and comply with (except as such performance and such compliance may be rendered impossible by reason of such Taking) all of its obligations under this Lease and shall in no event be relieved of

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its obligation to pay punctually all Rent or any other charges payable hereunder. If no Event of Default shall have occurred. Lessor shall pay the net awards received by it (whether by way of damages, rent or otherwise) by reason of such Taking to Lessee. If an Event of Default shall have occurred, any such net award shall be retained by Lessor.

15.3. Other Taking; Damage or Destruction; Repair or Replacement. (a) If (i) a Taking of the Leased Property, or either the Shrewsbury or Louisville Property in its entirety shall occur or (ii) a Taking of sixty-six and two-thirds percent (66 2/3%) or more of the Leased Improvements or such Leased Improvements located on either the Shrewsbury or Louisville Property shall occur, either party hereto shall have the right to terminate this Lease effective as of the next regularly scheduled date upon which Rent is required to be paid hereunder occurring not less than ninety (90) days nor more than one hundred and eighty (180) days after such Taking (the "Taking-Termination Date") by giving notice (the "Taking-Termination Notice") to the other party of its intention to terminate not later than ninety (90) days prior to the Taking-Termination Date; provided, however, that any such Taking-Termination Notice delivered by Lessee shall contain an irrevocable offer to purchase Lessor's interest in the Leased Property subject to the Taking (or, in the case of the Taking of the entire Leased Property or entire Shrewsbury Property or the entire Louisville Property, Lessor's interest in the proceeds of any Taking payable in connection with such Taking or the right to receive same when made, if payment thereof has yet been made) (the "Taking Purchase Offer") for a Purchase Price (the "Purchase Price") equal to the greater of (i) the Fair Market Value (as hereinafter defined) and (ii) the applicable sum or sums set forth in Exhibit C-1 and C-2. Any such Taking-Termination Notice delivered by Lessee shall also contain an Officer's Certificate stating that the portion of the Leased Property so taken is sufficient to fulfill the condition set forth in this Section. The Taking-Purchase Offer contained in any such Taking-Termination Notice delivered by Lessee may be rejected by Lessor by delivering to Lessee written notice of such rejection not later than forty-five (45) days prior to the Taking-Termination Date, failing which, Lessor shall be conclusively deemed to have accepted such offer. In the event that (x) Lessee delivers a Taking-Termination Notice to Lessor and Lessor rejects the Taking-Purchase Offer contained therein or (y) Lessor delivers a Taking-Termination Notice to Lessee, then, in either event, the entire proceeds of any Taking and the right thereto shall be assigned to and shall belong to Lessor and this Lease shall terminate as of the Taking-Termination Date at which time the parties shall be released from any and all obligations and liabilities arising up to and including the Taking-Termination Notice. In the event that (x) Lessor shall not have

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rejected a Taking-Purchase Offer which it has received from Lessee and (y) Lessor shall not have delivered a Taking-Termination Notice to Lessee, the entire proceeds of any Taking and the rights thereto shall be assigned to and belong to Lessee and Lessor shall transfer and convey its remaining interest (if any) in the Leased Property to Lessee on the Taking-Termination Date in accordance with Section 15.4 hereof and shall pay to Lessee the proceeds of any Taking actually received upon payment by Lessee of the Purchase Price, together with all other sums due and payable by Lessee under this Lease, at which time this Lease shall terminate and the parties shall be released from any and all obligations and liabilities that arose up to and including the Taking-Termination Date.

(b) Except as otherwise provided in Subsection (a) hereof, in case of any damage to or destruction of the Leased Property or any part thereof, or in case of any Taking other than for temporary use, Lessee will, at its expense,

promptly commence and complete with due diligence (subject to Unavoidable Delays) the replacement and repair of the Leased Property in order to restore it as nearly as practicable to the value and condition thereof immediately prior to such damage, destruction or Taking, whether or not the insurance proceeds or the award for the Taking shall be sufficient for such purpose. If the cost of restoring the Leased Property is estimated by an independent architect or engineer to exceed the net awards or net proceeds available therefor, Lessee shall expend its own funds to the extent of such excess before making application for receipt of such proceeds or awards as hereinafter provided. In such event, the net proceeds of insurance and the net awards for the Taking received by Lessor shall, if no Event of Default shall have occurred, be paid to Lessee (or as Lessee may direct), from time to time (but not more often than monthly) as the Leased Property is replaced or repaired, in amounts equal to the cost of such replacement and repair, upon delivery to Lessor of an Officer's Certificate and a certificate of an engineer or architect satisfactory to Lessor certifying, in each case, the amount to be paid (which may represent amounts theretofore paid by Lessee in the effectuation of such repairs or replacements and not reimbursed hereunder or amounts due and payable by Lessee therefor, or both). If an Event of Default shall have occurred, Lessor may, at its option, retain all or of any portion of net proceeds of insurance and/or net awards for a Taking. Notwithstanding anything to the contrary contained herein, upon the occurrence of a casualty, the cost of restoration of which is \$200,000 or less, Lessee shall be entitled to receive the net proceeds and apply the same to the restoration of the Leased Property in accordance with the terms hereof. Upon completion of construction, Lessee shall deliver to Lessor (i) a copy of a permanent, unconditional certificate of occupancy for the Leased Property and (ii) an Officer's

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Certificate and a certificate of an engineer or architect satisfactory to Lessor certifying to the completion of the repair or replacement of the Leased Property, the payment of the cost thereof in full, and the amount of such cost, and upon receipt of such certificates by Lessor, any balance of such proceeds and awards or other payments not required to be held or applied in accordance with the preceding sentence, shall if no Event of Default shall have occurred, (1) in the case of insurance proceeds, be paid over to, and retained by Lessee, and (2) in the case of an award for a Taking, be paid over to Lessor. In the event of a Taking of such character as not to require any repair or replacement of the Leased Improvements, and upon delivery to Lessor of an Officer's Certificate certifying that such partial Taking has not materially affected the condition or use of the Leased Property, any net award or other payment for such Taking shall, if no Event of Default shall have occurred, be paid over to Lessor. If an Event of Default shall have occurred prior to the time of Lessor's receipt of any insurance proceeds or awards or other payment for a Taking pursuant to this Section, the same shall be applied in the manner specified in any Indenture.

15.4. Purchase By Lessee In Event of Taking. In the event that any offer made by Lessee to Purchase the Leased Property pursuant to Section 15.3(a) hereof is accepted or deemed to be accepted by Lessor, closing shall occur at a location mutually agreeable to Lessor and Lessee provided, however, if Lessor and Lessee are unable to agree on such location, closing shall occur at the offices of Lessor's attorneys. On or before the closing date of such purchase, Lessee shall pay to Lessor the Purchase Price and Lessor shall deliver to Lessee an executed and acknowledged quit claim deed conveying the Leased Property to Lessee in its "As-Is, Where-Is" condition without any representations or warranties (express or implied) and subject to those liens, exceptions and other matters of record existing as of the date hereof and any liens, exceptions and other matters of record created during the terms of this Lease but free of the lien of any mortgage encumbering fee title to the Leased Property. Lessee shall pay any escrow fees, recording fees, title insurance premiums and all other charges incidental to the conveyance and transfer of the Leased Property. The fair market value of the Leased Property ("Fair Market Value") in connection with any such purchase shall be determined by an independent MAI appraiser acceptable to both Lessor and Lessee. The Fair Market Value shall be determined as of the day immediately preceding any Taking which gives rise to a Taking-Termination Notice, and, in determining the Fair Market Value, the Leased Property shall be deemed unencumbered by this Lease and used for research and development facilities. If Lessor and Lessee are unable to agree on an appraiser within fifteen (15) days of the giving of the offer, each shall retain an independent MAI appraiser within

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fifteen (15) days thereafter to determine the Fair Market Value of the Leased Property. The appraisal or appraisals required by the foregoing sentences shall be available not less than sixty (60) days prior to the termination date of this Lease. If the higher fair market value determined by either such appraiser is not more than ten percent (10%) higher than the lower fair market value, the arithmetic mean of the two fair market values shall be the Fair Market Value; otherwise, the two appraisers shall select a third MAI appraiser within fifteen (15) days of the receipt of such appraisals to determine the Fair Market Value of the Leased Property (which appraisal shall be available not less than 15 days prior to the termination date of this Lease), provided that the Fair Market Value shall not be lower than the lower of the two original appraisals nor higher than the higher of the two appraisals. In the event that the two appraisers fail to appoint a third appraiser with such fifteen (15) day period, then either party may request a court having applicable jurisdiction to appoint a third appraiser. Lessor and Lessee shall each pay the fees and expenses of the appraiser retained by each and shall each pay one-half (1/2) of the fees and expenses of the third appraiser, if a third appraiser is required.

ARTICLE XVI

16.1. Representations and Warranties. Lessee hereby presents and warrants the following:

(a) the buildings and improvements on the Land have been (i) constructed in compliance in all material respects with the requirements of all laws, ordinances, rules, regulations and restrictions of record applicable thereto (including, without limitation, those relating to environmental protection) and all bills for labor and materials in connection with the construction thereof have been paid in full or provided for, and (ii) completed in all material respects in accordance with plans and specifications approved by Lessee;

(b) the Leased Property has been accepted by Lessee for all purposes of this Lease and there has been no material damage to the buildings and improvements thereon which has not been repaired nor are any condemnation or eminent domain proceedings pending (or, to the best knowledge of Lessee, threatened) with respect thereto;

(c) all public utilities, including, but not limited to, water, sewer, gas if necessary, and electricity, have been connected to the Leased Property and are adequate for the intended use of the Leased Property;

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(d) means of ingress and egress, streets, parking and drainage facilities are available to service the Leased Property and are adequate for the intended use of the Leased Property;

(e) all material permits, licenses and certificates (including, without limitation, permanent certificates of occupancy (subject only to minor conditions)) and all environmental permits and approvals which are necessary to permit the use of the Leased Property in accordance with the provisions of this Lease have been obtained and are in full force and effect;

(f) under applicable zoning and use laws, ordinances, rules and regulations, the Leased Property may be used for purposes contemplated by this Lease and all necessary subdivision approvals have been obtained;

(g) any exceptions to Lessor's title to the Leased Property will not materially interfere with the intended use of the Leased Property by Lessee in accordance with the provisions of this Lease and such exceptions will not materially adversely affect the value thereof;

(h) to the best of Lessee's knowledge, except as may be disclosed in the Environmental Report (i) no Hazardous Materials have been integrated into any part of the Leased Property in violation of any applicable law; (ii) no enforcement, cleanup, removal or other

governmental or regulatory actions have, at any time been instituted, completed or threatened against the Leased Property, or against any Person with respect to the Leased Property, pursuant to any law, ordinance, rule or regulation; (iii) no violation or non-compliance with any such law, ordinance, rule or regulations relating to Hazardous Materials has occurred with respect to the Leased Property at any time; (iv) no claims have, at any time, been made or threatened by any third party against the Leased Property or against any Person with respect to any Leased Property, relating to damage, contribution, cost recovery compensation, loss or injury resulting from any Hazardous Materials located on the Leased Property; and (v) no activity has been conducted that would cause the Leased Property to become a hazardous waste treatment storage or disposal facility within the meaning of, or otherwise bring the Leased Property within the ambit of, the Resource Conservation and Recovery Act of 1976, 42 U.S.C. ss.ss. 6901 et seq., or any state or local ordinance or regulation relating to Hazardous Materials; and

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(i) (i) no Default exists hereunder and (ii) there exists no offset, defense or claim with respect to any rents or other sums to be paid by Lessee hereunder as of the Commencement Date.

ARTICLE XVII

17.1. Events of Default. If any one or more of the following events (individually, an "Event of Default") shall occur:

(a) if Lessee shall fail to make payment of any Basic Rent or Additional Rent payable by Lessee under this Lease when the same becomes due and payable, or

(b) if Lessee shall fail to observe or perform any other term, covenant or condition of this Lease and such failure shall continue for a period of thirty (30) days after notice thereof, unless such failure cannot with due diligence be cured within a period of thirty (30) days, in which case such failure shall not be deemed to continue if Lessee proceeds promptly and with due diligence to cure the failure and diligently completes the curing thereof, or

(c) if Lessee or any Significant Subsidiary shall make a general assignment for the benefit of its creditors, or shall file a voluntary petition in bankruptcy, or shall be adjudicated a bankrupt or insolvent, or shall file any petition or answer seeking, consenting to, or acquiescing in reorganization, arrangement, adjustment, composition, liquidation, dissolution or similar relief under any present or future statute, law or regulation, or shall file an answer admitting or failing to deny the material allegations of a petition against it for any such relief, or shall admit in writing its inability to pay its debts as they mature, or

(d) if any proceeding against Lessee or any Significant Subsidiary seeking any of the relief mentioned in clause (c) of this Section shall not have been stayed or dismissed within sixty (60) days after the commencement thereof, or

(e) if a trustee, receiver or liquidator of Lessee or any Significant Subsidiary or of any substantial part of its properties or assets, or of Lessee's estate or interest in the Leased Property, shall be appointed with the consent or acquiescence of Lessee, or if any such appointment, if not so consented to or acquiesced in, shall remain unvacated or unstayed for a period of sixty (60) consecutive days, or

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(f) if Lessee or any Significant Subsidiary shall be liquidated or dissolved, or shall begin proceedings toward such liquidation or dissolution, or shall, in any manner, permit the divestiture of substantially all its assets

(other than in connection with a merger of Lessee into, or a sale of all or substantially all of Lessee's assets to, another corporation provided that the survivor of such merger or the purchaser of such assets shall assume all of Lessee's obligations under this Lease by a written instrument, in form and substance satisfactory to Lessor and Lessor's Assignees, if any, accompanied by an opinion of counsel, satisfactory to Lessor, stating that such instrument of assumption is valid, binding and enforceable against the parties thereto in accordance with its terms, and provided further that immediately after giving effect to any such merger the Lessee or other corporation (if not the Lessee) surviving the same shall have a Consolidated Tangible Net Worth at least equal to the Consolidated Tangible Net Worth of Lessee immediately prior to such merger), or

(g) if Lessee shall fail to perform any term or provision of the Consent and such failure shall continue for a period of five (5) days after notice thereof, or

(h) if the estate or interest of Lessee in the Leased Property or any part thereof shall be levied upon or attached in any proceeding and the same shall not be vacated or discharged within sixty (60) days after commencement thereof (unless Lessee shall be contesting such lien or attachment in good faith in accordance with Section 13.01 hereof), or

(i) if the then current use or occupancy of the Leased Property shall be permitted pursuant to then applicable zoning laws only for so long as such use or occupancy shall be continued, and Lessee shall discontinue such use or occupancy without the prior written consent of Lessor, except in the event such use or occupancy is written rendered impossible due to a Taking or damage to the Leased Property and is involuntarily discontinued by Lessee pursuant to Section 15.3(b), or

(j) if any of the representations or warranties made by Lessee in this Lease, the Consent or in any other document, certificate or instrument delivered in connection herewith proves to be untrue in any material respect, or

(k) there shall be rendered against the Lessee or any Significant Subsidiary final judgment for the payment of money in excess of \$500,000 and the Lessee or any Significant Subsidiary, as the case may be, shall have failed to satisfy such judgment or to appeal therefrom (or from the order, decree or process pursuant to which such judgment was granted, passed, entered or

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affirmed) and to obtain a stay of execution thereof within the period prescribed by law for appeals, and to have such judgment discharged within sixty (60) days after the expiration of such period or the period of any such stay, whichever shall later expire, or

(l) if Lessee shall fail to maintain its Net Worth plus Subordinated Debt in the amount of at least Five Hundred Million Dollars (\$500,000,000), or

(m) if the ratio of Lessee's (i) Senior Debt to (ii) Net Worth plus Subordinated Debt exceeds 1.0:1.0, or

(n) if a change in control of Lessee occurs during the first Lease Year and the implied corporate debt rating of Lessee (or the Successor Corporation, as defined in Section 24.3, if applicable) immediately following such change in control is reduced from BB by Standard & Poor's as of the date of this Lease. For purposes hereof "change in control" means a transfer of more than 50% of the capital stock of Lessee, excluding any transfer of the outstanding capital stock of Lessee by Persons or parties through the "over-the-counter" market or any recognized national securities exchange, or the transfer of capital stock by gift or devise or to the heirs of a stockholder through an estate in the event of the death of a stockholder intestate, shall not be included in the calculation of such 50%,

then, and in any such event, Lessor may terminate this Lease by giving Lessee notice of such termination and upon the giving of such notice, the Term shall terminate and all rights of Lessee under this Lease shall cease. Lessor shall have all rights at law and in equity available to Lessor as a result of Lessee's breach of this Lease.

Lessee will pay as Additional Rent all costs and expenses incurred by or on behalf of Lessor, including, without limitation, attorneys' fees and expenses, as a result of any Event of Default hereunder.

17.2. Surrender; Entry by Lessor. If an Event of Default shall have

occurred, whether or not this Lease has been terminated pursuant to Section 17.1, Lessee shall, if required by Lessor so to do, immediately surrender the Leased Property to Lessor and quit the same, and if permitted by applicable law, Lessor may enter upon and repossess the Leased Property by reasonable force, summary proceedings, ejectment or otherwise, and may remove Lessee and all other Persons and any and all personal property from the Leased Property. Lessor shall be under no liability for or by reason of any such entry, repossession or removal.

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17.3. Reletting by Lessor. If an Event of Default shall have occurred, whether or not this Lease has been terminated pursuant to Section 17.1, Lessor, without notice to Lessee, may, but shall be under no obligation to, relet the Leased Property or any part thereof for the account of Lessee, in the name of Lessee or otherwise, for such term or terms (which may be greater or less than the period which would otherwise have constituted the balance of the then current Term) and on such conditions (which may include concessions or free rent) and for such purposes as Lessor may determine, and may collect, receive and retain the rents resulting from such reletting.

17.4. Current Liquidated Damages. Neither (a) the termination of this Lease pursuant to Section 17.1, (b) the repossession of the Leased Property, (c) the failure of Lessor to relet the Leased Property, (d) the reletting of all or any portion thereof, nor (e) the failure of Lessor to collect or receive any rentals due upon any such reletting, shall relieve Lessee of its liability and obligations hereunder, all of which shall survive any such termination, repossession or reletting. In the event of any such termination, Lessee shall forthwith pay to Lessor all Rent due and payable to and including the date of such termination. Thereafter, monthly on the days on which the Basic Rent would have been payable under this Lease if the same had not been terminated and until the end of what would have been the then current Term in the absence of such termination, Lessee, at Lessor's option, shall pay Lessor as and for liquidated and agreed current damages for Lessee's default:

(i) an amount equal to the Basic Rent and Additional Rent that would have been payable by Lessee hereunder if the Term had not been terminated, less

(ii) the net proceeds, if any, of any reletting of the Leased Property or any part thereof, after deducting all of Lessor's expenses in connection therewith, including, without limitation, repossession costs, brokerage commissions, attorneys' fees and expenses and any repair or alteration costs and expenses incurred in preparation for such reletting.

17.5. Final Liquidated Damages. At any time after the termination of this Lease pursuant to Section 17.1, whether or not Lessor shall have collected any current damages pursuant to Section 17.4, Lessor, at its option, shall be entitled to recover from Lessee and Lessee will pay to Lessor on demand as and for liquidated and agreed final damages for Lessee's default (it being agreed that it would be impractical or extremely difficult to fix the actual damages), and in lieu of all current damages

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provided in Section 17.4 beyond the date to which the same shall have been paid,

(a) the sum of (i) any past due Rent together with interest thereon (to the extent permitted by law) computed from the due date thereof to the date of payment of all sums due and owing at the Overdue Rate (or at the maximum rate permitted by law, whichever is the lesser), (ii) the remaining payments of Basic Rent (which would otherwise have become due during the remainder of the then current Term but for such termination) as of the later of the date to which Basic Rent shall have been paid or the date to which Lessee shall have paid current damages pursuant to Section 17.4 together with interest thereon computed from the later of such dates to the date of payment of all sums due and owing at the Overdue Rate, and (iii) an amount equal to

the Additional Rent and other charges (as reasonably estimated by Lessor) which would be payable hereunder from such date for what would have been the then unexpired current Term had the same not been terminated calculated on a quarterly basis, less

(b) the then fair net rental value of the Leased Property for the period from the date of payment of such liquidated damages to the date which would have been the then expiration date of the then current Term had this Lease not been terminated (after deducting all reasonable estimated expenses to be incurred in connection with reletting the Leased Property, including, without limitation, repossession costs, brokerage commissions, attorneys' fees and expenses and repair and alteration costs and expenses).

If any statute or rule of law shall validly limit the amount of such liquidated final damages to less than the amount above agreed upon, Lessor shall be entitled to the maximum amount allowable under such statute or rule of law.

17.6. Waiver. If this Lease is terminated pursuant to Section 17.1, Lessee waives, to the extent permitted by applicable law, (a) any right which may require Lessor to sell, lease or otherwise use its interest in the Leased Property or any part thereof in mitigation of Lessor's damages as set forth in this Article XVII, (b) any notice of re-entry or of the institution of legal proceedings to that end, (c) any right of redemption, re-entry or repossession, (d) any right to a trial by jury in the event of summary proceedings to enforce the remedies set forth in this Article, (e) the benefit of any laws now or hereafter in force exempting property from liability for rent or for debt, and (f) any other rights which might otherwise limit or

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modify any of Lessor's rights or remedies under this Article XVII.

ARTICLE XVIII

18.1. Lessor's Right to Cure Lessee's Default. If Lessee shall fail to make any payment or perform any act required to be made or performed under this Lease, Lessor, after notice to and demand upon Lessee, and without waiving or releasing any obligation or Default, may (but shall be under no obligation to) at any time thereafter make such payment or perform such act for the account and at the expense of Lessee, and may enter upon the Leased Property for such purpose and take all such action thereon as, in Lessor's opinion, may be necessary or appropriate therefor. No such entry shall be deemed an eviction of Lessee. All sums so paid by Lessor and all costs and expenses (including, without limitation, attorneys' fees and expenses) so incurred, together with interest thereon (to the extent permitted by law) at the Overdue Rate (or at the maximum rate permitted by law, whichever is the lesser) from the date on which such sums or expenses are paid or incurred by Lessor, shall be paid by Lessee to Lessor on demand.

ARTICLE XIX

19.1. Holding Over. If Lessee shall for any reason remain in possession of the Leased Property after the expiration of the Term or earlier termination of the Term hereof (except pursuant to the provisions of Section 6.2), such possession shall be as a month-to-month tenant and otherwise on the same terms and conditions as this Lease. During such period of month-to-month tenancy, Lessee shall be obligated to perform and observe all of the terms, covenants and conditions of this Lease but shall have no rights thereunder other than the right to continue its occupancy and use of the Leased Property. Nothing contained herein shall constitute the consent, express or implied, of Lessor to the holding over of Lessee after the expiration or earlier termination of this Lease.

ARTICLE XX

20.1. Release. (a) Lessee acknowledges that Lessor may seek a release of a portion of the Leased Property more particularly described in Exhibit D attached hereto (the "Out Parcel") from that certain mortgage or deed of trust, as applicable, (the "Mortgage") encumbering, inter alia, the Out Parcel dated of even date herewith given by Lessor to Lender.

In the event of a release of Out Parcel from the lien of the Mortgage, Exhibit A-1 of this Lease shall be amended to reflect the release of the Out Parcel. No adjustment in Rent shall occur in the event of a release of the Out Parcel in accordance with the terms hereof.

(c) In the event of the Release of the entire Shrewsbury Property from the mortgage of even date herewith from Lessor to Lender which encumbers the Shrewsbury Property, the obligation of Lessee to pay Basic Rent allocable to the Shrewsbury Property pursuant to Exhibit C-1 attached hereto shall cease and the Basic Rent shall be solely that amount set forth in Exhibit C-2 attached hereto and this Lease shall be amended to delete Exhibit A-1 attached hereto.

(d) In the event of a Release of the entire Louisville Property from the deed of trust of even date herewith from Lessor for the benefit of Lender which encumbers the Louisville Property, the obligation of Lessee to pay the Basic Rent allocable to the Louisville Property pursuant to Exhibit C-2 shall cease and the Basic Rent shall be solely that amount set forth in Exhibit C-1 attached hereto and this Lease shall be amended to delete Exhibit A-2 attached hereto.

ARTICLE XXI

21.1. No Recourse to Lessor. No recourse shall be had against the Lessor, or its successors or assigns, or its employees, officers, directors or shareholders for any claim based on any failure by the Lessor in the performance or observance of any of the agreements, covenants or provisions contained in this Lease. In the event of any such failure, recourse shall be had solely against the Leased Property. Nothing contained in the foregoing, however, shall restrict the right of Lessee to commence any proceeding against Lessor for the breach of its agreements or covenants contained in this Lease; provided, however, that, in the event that any judgment is obtained against Lessor, the same shall not be the basis of a right of offset, deferment or reduction of the Rent due hereunder.

ARTICLE XXII

22.1. Risk of Loss. The risk of loss or of decrease in the enjoyment and beneficial use of the Leased Property in consequence of the damage or destruction thereof by fire, the elements, casualties, thefts, riots, wars or otherwise, or in consequence of foreclosures, attachments, levies or executions

(other than by Lessor and those claiming from, through or under Lessor) is assumed by Lessee, and Lessor shall in no event be answerable or accountable therefor. None of the events mentioned in this Section shall entitle Lessee to any abatement of Basic Rent or Additional Rent, except as specifically provided herein.

ARTICLE XXIII

23.1. Indemnification by Lessee. Lessee will protect, indemnify, save harmless and defend Lessor and Lessor's Assignees, if any, from and against all liabilities, obligations, claims, damages, penalties, causes of action, costs and expenses (including, without limitation, attorneys' fees and expenses) imposed upon or incurred by or asserted against Lessor or any of Lessor's Assignees, if any, by reason of: (i) the acquisition and ownership of, or the holding of any security in, the Leased Property, (ii) any accident, injury to or death of persons or loss of or damage to property occurring (y) on or about the Leased Property or (z) adjoining sidewalks, curbs, adjacent property or adjacent parking areas, streets or ways (collectively, the "Adjacent Property"), unless the Adjacent Property is owned by or secures a loan made by Lender and Lessor otherwise has no liability for such accident, injury, death or loss of or damage to property, (iii) any use, non-use or condition in, on or about the Leased Property, or any part thereof or the Adjacent Property, unless the Adjacent Property is owned by, or secures a loan made by Lender and Lessor otherwise has

no liability for such use, nonuse or condition, (iv) any Impositions, (v) any failure on the part of Lessee to perform or comply with any of the terms of this Lease, (vi) performance of any labor or services or the furnishing of any materials or other property in respect of the Leased Property or any part thereof, (vii) the non-performance of any of the terms and provisions of any and all existing and future subleases of the Leased Property to be performed by the landlord thereunder, (viii) the presence, disposal, escape, seepage, leakage, spillage, discharge, emission, release, or threatened release of any Hazardous Materials on, from, or affecting the Leased Property or any other property (the "Other Property"), unless such Other Property is owned by, or secures a loan made by, Lender and Lessor otherwise has no liability therefor, (ix) any personal injury (including wrongful death) or property damage (real or personal) arising out of or related to such Hazardous Materials, (x) any lawsuit brought or threatened, settlement reached, or governmental order relating to such Hazardous Materials, or (xi) any violation of laws, orders, regulations, requirements, or demands of government authorities, which are based upon or in any way related to such Hazardous Materials including, without limitation, the costs and expenses of any remedial action, attorney and consultant fees,

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investigation and laboratory fees, court costs, and litigation expenses. Any amounts which become payable by Lessee under this Section shall be paid on demand, and if not timely paid, shall bear interest (to the extent permitted by law) at the Overdue Rate (or at the maximum rate permitted by law, whichever is the lesser) from the date of such determination to the date of payment. Lessee, at its expense, shall contest, resist and defend any such claim, action or proceeding asserted or instituted against Lessor, or any of Lessor's Assignees, if any, and may compromise or otherwise dispose of the same as Lessee sees fit. Nothing herein shall be construed as indemnifying Lessor against its own affirmative grossly negligent acts or willful acts. Lessee's liability for a breach of the provisions of this Section arising during the Term hereof shall survive any termination of this Lease.

ARTICLE XXIV

24.1. Subletting and Assignment; Attornment. Neither this Lease nor any part hereof nor the interest of Lessee in any sublease or the rental thereunder, shall, by operation of law or otherwise, be assigned, mortgaged, pledged, encumbered or otherwise transferred by Lessee, Lessee's legal representatives or successors in interest and neither the Leased Property, nor any part thereof shall be encumbered in any manner by reason of any act or omission on the part of Lessee or anyone claiming under or through Lessee, or shall be sublet or used, occupied or utilized by anyone other than Lessee, without the prior written consent of Lessor, except as otherwise expressly provided in this Article and except that the Leased Property may be used, occupied or utilized by a Related Corporation (as hereinafter defined) without Lessor's consent provided that Lessee provides to Lessor such information as Lessor reasonably requests regarding such use, occupation or utilization and except that this Lease may be assigned to a Related Corporation without Lessor's consent provided that such assignee shall have assumed all of the obligations of Lessee hereunder including, without limitation, the provisions of this Article by a written assumption agreement and a copy of such agreement shall have been provided to Lessor and Lessor's Assignee promptly after the execution thereof. "Related Corporation" shall mean a corporation or other business entity (a) which controls, is controlled by or is under common control with Lessee, which, for the purposes of this definition, shall mean with respect to any Person the possession, directly or indirectly, of the power to direct or cause the direction of the management of such Person, whether through the ownership of voting security or other ownership interests or (b) with which Lessee has a contractual relationship which Lessee deems advantageous to it in the conduct of Lessee's ordinary course of

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business including, but not limited to, an entity which supplies goods or services used in Lessee's business operations. For the purposes of this Article (a) the issuance of interests in Lessee or any subtenant (whether stock, partnership or otherwise) to any Person or any group of related Persons, whether in a single transaction or a series of related or unrelated transactions, in

such quantities that after such issuance such Person or group shall have control of Lessee or such subtenant, shall be deemed an assignment of this Lease, or such sublease, (b) a transfer of more than 50% in interest of Lessee or any subtenant (whether stock, partnership interest or otherwise) by any party or parties in interest whether in a single transaction or a series of related or unrelated transactions shall be deemed an assignment of this Lease, or such sublease, as the case may be, except that the transfer of the outstanding capital stock of any corporate lessee or subtenant, by Persons or parties through the "over-the-counter" market or any recognized national securities exchange, or the transfer of capital stock by gift or devise or to the heirs of a stockholder through an estate in the event of the death of a stockholder intestate, shall not be included in the calculation of such 50%, and (c) a modification, amendment or extension of a sublease which extends the term of such sublease or reduces the rent payable under such sublease shall be deemed a new subletting for the purposes of this Article. Any assignment, sublease, mortgage, pledge, encumbrance or transfer by Lessee in contravention of this Article shall be void. Each sublease of all or any portion of the Leased Property shall contain provisions identical in effect to the provisions of this Article and shall also require Lessor's consent to any assignment of such sublease or any further subletting thereunder. Lessor agrees that it will not unreasonably withhold its consent to an assignment of this Lease nor to a subletting of all or any part of the Leased Property upon and subject to the terms and conditions of this Article. Anything contained in this Article to the contrary notwithstanding, in case of either an assignment or subletting, Lessee shall remain primarily liable, as principal rather than as surety, for the prompt payment of the Rent and for the performance and observance of all of the covenants and conditions contained in this Lease to be performed by Lessee.

24.2. Requirements for Subleases and Assignments. If Lessee shall request Lessor's consent to any assignment of this Lease or any subletting of all or any part of the Leased Property, Lessor's obligation to consent to such an assignment or subletting and each such assignment or subletting shall be upon and subject to the following terms and conditions: (a) Lessee shall have submitted to Lessor such information regarding the proposed assignee or subtenant as Lessor shall have reasonably requested, which information shall show that the proposed assignee or subtenant is financially responsible and is reputable

and of good character and that the proposed use of the Leased Property by the assignee or subtenant shall be permitted by this Lease; (b) in the case of an assignment, the proposed assignee shall be a single purpose bankruptcy remote entity acceptable to Lessor and Lessor's Assignees and shall have agreed to assume all of the obligations of the Lessee under this Lease by an agreement of assignment and assumption in form and substance reasonably satisfactory to Lessor (such form having been submitted to Lessor for its approval prior to execution); (c) a fully executed copy of the assignment or sublease shall be submitted to Lessor no less than ten (10) days after the effective date thereof; (d) each sublease shall contain provisions to the effect that (i) such sublease is subject and subordinate to all of the terms and provisions of this Lease and to the rights of Lessor hereunder, (ii) in the event this Lease shall terminate before the expiration of such sublease, the subtenant thereunder will, at Lessor's option, attorn to Lessor and waive any right the subtenant may have to terminate the sublease or to surrender possession thereunder, as a result of the termination of this Lease, and (iii) in the event Lessor has elected to require the subtenant to attorn to the Lessor and the subtenant thereunder receives a written notice from Lessor or Lessor's Assignees, if any, stating that Lessee is in Default under this Lease, the subtenant shall thereafter be obligated to pay all rentals accruing under such sublease directly to the party giving such notice, or as such party may direct and recognize Lessor as the landlord under and in accordance with the terms of such sublease, except that Lessor shall not (A) be liable for any previous act or omission of Lessee under such sublease, (B) be subject to any offset, not expressly provided in such sublease, which theretofore accrued to such subtenant against Lessee, or (C) be bound by any previous modification of such sublease or by any previous prepayment of more than one month's rent (all rentals received from the subtenant by Lessor or Lessor's Assignees, if any, as the case may be, shall be credited against the amounts owing by Lessee under this Lease); (e) in the case of a subletting, the fixed rent and additional rent for any such subletting shall not be less than the fair market rental value of the Leased Property or the portion thereof which is covered by such sublease for a comparable term in comparable buildings in the State and the surrounding area; (f) Lessee shall not be in Default under this Lease either at the time Lessor's consent to such subletting or assignment is requested or the commencement of the term of any proposed sublease or upon the effective date of any such assignment; and (g) Lessee shall reimburse Lessor for any reasonable cost that may be incurred by Lessor in connection with such sublease or assignment, including the cost of making investigation as to the

24.3. Transfer to Successor Corporation. Lessee may, upon notice to Lessor but without Lessor's consent, assign or transfer its entire interest in this Lease and the leasehold estate hereby created to a Successor Corporation (as hereinafter defined), provided that Lessee shall not be in default in the performance of any of its obligations under this Lease after expiration of any applicable grace period. "Successor Corporation" shall mean (a) a corporation into which or with which Lessee, its corporate successors or assigns, is merged or consolidated, in accordance with applicable statutory provisions for the merger or consolidation of corporations, provided that by operation of law or by effective provisions contained in the instruments of merger or consolidation the liabilities of the corporations participating in such merger or consolidation are assumed by the corporation surviving such merger or consolidation, or (b) a corporation acquiring this Lease and the estate hereby granted, the goodwill and all or substantially all of the other property and assets (other than capital stock of such acquiring corporation) of Lessee, its corporate successors or assigns, and assuming all or substantially all of the liabilities of Lessee, its corporate successors and assigns, (c) or a corporation which acquires all of the issued and outstanding capital stock of Lessee, or (d) any corporate successor to a Successor Corporation becoming such by either of the methods described in subdivisions (a) and (b) above; provided that such merger or consolidation, or such acquisition and assumption, as the case may be, is for a good business purpose and not principally for the purpose of transferring the leasehold estate created hereby. The acquisition by Lessee, its corporate successors or assigns, of all or substantially all of the obligations and liabilities of any corporation, shall be deemed to be a merger for the purposes of this Article.

ARTICLE XXV

25.1. Officer's Certificates and Financial Statements. (a) At any time and from time to time upon not less than ten (10) days prior request by Lessor, but in no event more frequently than once in any three (3) month period, Lessee will furnish to Lessor an Officer's Certificate certifying any or all of the following as requested, (i) that this Lease is in full force and effect (or that this Lease is in full force and effect as modified and setting forth the modifications) and the dates to which the Basic Rent and all Additional Rent have been paid, (ii) either that Lessee does not know of any default in the performance of any provisions of this Lease or specifying any Default of which Lessee may have knowledge and stating what action Lessee is taking or proposes to take with respect thereto, and (iii) that, there are no proceedings pending or, to the best

knowledge of Lessee, threatened against Lessee before or by any court or administrative agency which, if adversely decided, would materially and adversely affect the financial condition or operations of Lessee, or, if any such proceedings are pending or threatened to the knowledge of Lessee, specifying and describing the same. Any such certificate furnished pursuant to this Section may be relied upon by Lessor, Lessor's Assignees, if any, and any prospective purchaser of the Leased Property. Lessee will also furnish Lessor, upon request of Lessor, an Officer's Certificate certifying the amount of the Consolidated Tangible Net Worth of Lessee, as shown on the most current consolidated balance sheet of Lessee and its consolidated subsidiaries.

(b) Lessee will furnish the following statements to Lessor and Lessor's Assignees:

(i) within 120 days after the end of each of Lessee's fiscal years, and together with the annual audit report furnished in accordance with clause (i), an Officer's Certificate stating that to the best of the signer's knowledge and belief after making due inquiry, Lessee is not in default in the performance or observance of any of the terms of this Lease or if Lessee shall be in Default to its knowledge, specifying all such Defaults, the nature thereof, and the steps being taken to remedy the same,

(ii) with reasonable promptness, copies of all financial statements and reports which Lessee shall send to its stockholders, and copies of each Form 10-K, Form 10-Q, Form 8-K, proxy statement and registration statement (other than Form S-8 registration statements), or copies of any successor forms or statements substituted therefor, which Lessee shall file with the Securities and Exchange Commission or any governmental agency substituted therefor, and

(iii) with reasonable promptness, such other information, consistent with the disclosure requirements of the federal securities laws, respecting the financial condition and affairs of Lessee, as Lessor may request from time to time.

ARTICLE XXVI

26.1. Lessor's Right to Inspect. Lessee shall permit Lessor and Lessor's Assignees, if any, and their respective authorized representatives to inspect the Leased Property during usual business hours upon reasonable prior notice. Such entry

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shall be accomplished in a reasonable manner which avoids interference with the conduct by Lessee of its operations.

ARTICLE XXVII

27.1. No Waiver by Lessor. No failure by Lessor to insist upon the strict performance of any term hereof or to exercise any right, power or remedy consequent upon a breach thereof, and no acceptance of full or partial payment of Rent during the continuance of any such breach, shall constitute a waiver of any such breach or of any such term. No waiver of any breach shall affect or alter this Lease, which shall continue in full force and effect with respect to any other then existing or subsequent breach. No foreclosure, sale or other proceeding under any Indenture shall effectuate a termination of this Lease or discharge or otherwise affect the obligations of Lessee hereunder.

ARTICLE XXVIII

28.1. Remedies Cumulative. Each legal, equitable or contractual right, power and remedy of Lessor now or hereafter provided either in this Lease or by statute or otherwise shall be cumulative and concurrent and shall be in addition to every other right, power and remedy and the exercise or beginning of the exercise by Lessor of any one or more of such rights, powers and remedies shall not preclude the simultaneous or subsequent exercise by Lessor of any or all of such other rights, powers and remedies.

ARTICLE XXIX

29.1. Acceptance of Surrender. No surrender to Lessor of this Lease or of the Leased Property or any part thereof or of any interest therein shall be valid or effective unless agreed to and accepted in writing by Lessor and no act by Lessor or any representative or agent of Lessor, other than such a written acceptance by Lessor, shall constitute an acceptance of any such surrender.

ARTICLE XXX

30.1. No Merger of Title. There shall be no merger of this Lease or of the leasehold estate hereby by reason of the fact that the same Person may acquire, own or hold, directly or indirectly, (a) this Lease or the leasehold estate created hereby

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or any interest in this Lease or such leasehold estate and (b) the fee estate in the Leased Property or any interest therein.

ARTICLE XXXI

31.1. Conveyance by Lessor. If Lessor or any successor owner of the Leased Property shall convey the Leased Property other than as security for a debt, Lessor or such successor owner, as the case may be, shall thereupon be released from all future liabilities and obligations of the Lessor under this Lease and all such future liabilities and obligations shall thereupon be binding upon the new owner, subject to the provisions of Article XXI.

ARTICLE XXXII

32.1. Quiet Enjoyment. So long as Lessee shall pay all Rent as the same becomes due and shall fully comply with all of the terms of this Lease and fully perform its obligations hereunder, Lessee shall peaceably and quietly have, hold and enjoy the Leased Property for the Term hereof, free of any claim or other action by Lessor or Lessor's Assignees, if any, or anyone claiming by, through or under any of them, but subject to all liens and encumbrances of record. No failure by Lessor or Lessor's Assignees, if any, to comply with the foregoing covenant shall give Lessee any right to cancel or terminate this Lease or abate, reduce or make a deduction from or offset against the Basic Rent or Additional Rent or any other sum payable under this Lease, or to fail to perform any other obligation of Lessee hereunder.

ARTICLE XXXIII

33.1. Notices. All notices, demands, requests, consents, approvals and other communications hereunder shall be in writing and delivered, telegraphed or mailed (by registered or certified mail, return receipt requested and postage prepaid), addressed to the respective parties, as follows:

- (a) if to Lessee:
Quantum Corporation
500 McCarthy Boulevard
Milpitas, California 95035
Attention: Andrew L. Kryder, Esq.
- (b) if to Lessor:
Quantum Peripherals Realty Corporation

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500 McCarthy Boulevard
Milpitas, California 95035
Attention: Andrew L. Kryder, Esq.

or to such other address as either party may hereafter designate, and shall be effective upon receipt, if hand delivered, as evidenced by a receipt signed by a Person at such address or upon expiration of five days after the day of mailing.

ARTICLE XXXIV

34.1. Miscellaneous. Anything contained in this Lease to the contrary notwithstanding, all claims against, and liabilities of, the Lessee arising prior to any date of termination of this Lease shall survive such termination. If any term or provision of this Lease or any application thereof shall be invalid or unenforceable, the remainder of this Lease and any other application of such term or provision shall not be affected thereby. If any late charges or interest provided for in any provision of this Lease are based upon a rate in excess of the maximum rate permitted by applicable law, the parties agree that such charges shall be fixed at the maximum permissible rate. Neither this Lease nor any provision hereof may be changed, waived, discharged or terminated except by an instrument in writing and recordable form signed by Lessor, Lessee and Lessor's Assignees. All the terms and provisions of this Lease shall be binding upon and inure to the benefit of the parties hereto and their respective successors and assigns. The headings in this Lease are for convenience of reference only and shall not limit or otherwise affect the meaning hereof. This Lease shall be governed by and construed in accordance with the laws of the State of Massachusetts with respect to the Leased Property described in Exhibit A-1 and Colorado with respect to the Leased Property described in Exhibit A-2.

ARTICLE XXXV

35.1. Memorandum of Lease. Lessor and Lessee shall, promptly upon the request of either, enter into a short form memorandum of this Lease, in form suitable for recording under the laws of the State, in which reference to this Lease shall be made.

IN WITNESS WHEREOF, the parties have caused this Lease to be executed and Lessee has caused its corporate seal to be hereunto affixed and attested by its officer thereunto duly authorized.

QUANTUM PERIPHERALS REALTY
CORPORATION, Lessor

Attest:

\s\ Edward McClammy

Vice President

By: \s\Andrew Kryder

Title: President

[Corporate Seal]

QUANTUM CORPORATION, Lessee

By: \s\Andrew Kryder

Title: Vice President,
Corporate General Counsel

Attest:

\s\David B. Harrison

Assistant Secretary

[Corporate Seal]

QUANTUM CORPORATION

COMPUTATION OF NET INCOME PER SHARE
(In thousands except per share data)

	Three Months Ended		Six Months Ended	
	Sept. 29, 1996	Oct. 1, 1995	Sept. 29, 1996	Oct. 1, 1995
	-----	-----	-----	-----
PRIMARY				
Weighted average number of common shares during the period	57,717	52,498	56,589	50,266
Incremental common shares attributable to exercise of outstanding options	915	3,742	1,650	3,750
	-----	-----	-----	-----
Total shares	58,632	56,240	58,239	54,016
	=====	=====	=====	=====
Net income	\$ 4,573	\$22,025	\$ 8,416	\$34,967
	=====	=====	=====	=====
Net income per share	\$ 0.08	\$ 0.39	\$ 0.14	\$ 0.65
	=====	=====	=====	=====
FULLY DILUTED				
Weighted average number of common shares during the period	57,717	52,498	56,589	50,266
Incremental common shares attributable to exercise of outstanding options and conversion of 6 3/8% convertible subordinated debentures and 5% convertible subordinated notes	17,996	11,069	18,864	12,677
	-----	-----	-----	-----
Total shares	75,713	63,567	75,453	62,943
	=====	=====	=====	=====
Net income:				
Net income	\$ 4,573	\$22,025	\$ 8,416	\$34,967
Add 6 3/8% convertible subordinated debentures and 5% convertible subordinated notes interest, net of income tax effect	2,741	1,500	5,682	3,337
Net income, as adjusted	\$ 7,314	\$23,525	\$14,098	\$38,304
	=====	=====	=====	=====
Net income per share	\$ 0.10*	\$ 0.37	\$ 0.19*	\$ 0.61
	=====	=====	=====	=====

* The primary net income per share is shown in the statements of income as both primary and fully diluted, as the effect of the assumed conversion of the subordinated debt is anti-dilutive.

<TABLE> <S> <C>

<ARTICLE> 5

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THIS SCHEDULE CONTAINS SUMMARY FINANCIAL INFORMATION EXTRACTED FROM
THE FINANCIAL STATEMENTS OF QUANTUM CORPORATION FOR THE QUARTER ENDED
SEPTEMBER 29, 1996.

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