

=====

SECURITIES AND EXCHANGE COMMISSION  
WASHINGTON, DC 20549

-----

FORM 10-Q

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

FOR THE QUARTER ENDED: SEPTEMBER 30, 1998                      COMMISSION FILE NUMBER 000-24435

MICROSTRATEGY INCORPORATED  
(EXACT NAME OF REGISTRANT AS SPECIFIED IN ITS CHARTER)

DELAWARE  
(State of incorporation)

51-0323571  
(I.R.S. Employer Identification Number)

8000 TOWERS CRESCENT DRIVE, VIENNA, VA 22182  
(Address of Principal Executive Offices)  
(703) 848-8600  
(Registrant's telephone number)

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 preceeding 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  
-----            -----

The number of shares of the registrant's Class A Common Stock and Class B Common Stock outstanding on November 1, 1998 was 4,889,100 and 30,735,514, respectively.

MICROSTRATEGY INCORPORATED

FORM 10Q

TABLE OF CONTENTS

PAGE  
----

PART I--FINANCIAL INFORMATION

Item 1. Financial Statements

|  |   |
|--|---|
| Consolidated Balance Sheets, September 30, 1998 (unaudited) and December 31, 1997.....   | 1 |
| Consolidated Statements of Operations and Comprehensive Income, Three Months Ended<br>September 30, 1998 and 1997 (unaudited)..... | 2 |
| Consolidated Statements of Operations and Comprehensive Income, Nine Months Ended<br>September 30, 1998 and 1997 (unaudited).....  | 3 |

|  |    |
|--|----|
| Consolidated Statements of Cash Flows, Nine Months Ended September 30, 1998 and 1997<br>(unaudited)..... | 4  |
| Notes to Consolidated Financial Statements.....  | 5  |
| Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operation.....        | 8  |
| PART II--OTHER INFORMATION.....  | 23 |

ITEM 1. FINANCIAL STATEMENTS

MICROSTRATEGY INCORPORATED

CONSOLIDATED BALANCE SHEETS  
(IN THOUSANDS, EXCEPT SHARE AND PER SHARE DATA)

|   | SEPTEMBER 30,<br>1998 | DECEMBER 31,<br>1997 |
|---|-----------------------|----------------------|
|   | -----                 |                      |
|   | (UNAUDITED)           |                      |
| ASSETS  |                       |                      |
| Current assets:   |                       |                      |
| Cash and cash equivalents.....  | \$29,868              | \$ 3,506             |
| Accounts receivable, net.....   | 29,478                | 16,085               |
| Prepaid expenses and other current assets.....  | 2,772                 | 1,435                |
|   | -----                 | -----                |
| Total current assets.....   | 62,118                | 21,026               |
| Property and equipment, net.....  | 11,690                | 6,891                |
| Deposits and other assets.....  | 2,755                 | 2,148                |
|   | -----                 | -----                |
| Total assets.....   | \$76,563              | \$30,065             |
|   | =====                 | =====                |
| LIABILITIES AND STOCKHOLDERS' (DEFICIT) EQUITY  |                       |                      |
| Current liabilities:  |                       |                      |
| Accounts payable and accrued expenses.....  | \$10,944              | \$ 9,406             |
| Accrued compensation and employee benefits.....   | 4,690                 | 3,633                |
| Deferred revenue.....   | 9,225                 | 8,340                |
| Line-of-credit.....   | --                    | 4,508                |
| Notes payable, current portion.....   | --                    | 900                  |
| Dividend notes payable.....   | 7,500                 | --                   |
|   | -----                 | -----                |
| Total current liabilities.....  | 32,359                | 26,787               |
| Notes payable, long-term portion.....   | --                    | 2,658                |
| Deferred revenue.....   | 795                   | 1,047                |
|   | -----                 | -----                |
| Total liabilities.....  | 33,154                | 30,492               |
|   | -----                 | -----                |
| Commitments and contingencies   |                       |                      |
| Stockholders' (deficit) equity:   |                       |                      |
| Preferred stock, par value \$0.001 per share, 5,000,000 shares authorized,<br>no shares issued and outstanding.....   | --                    | --                   |
| Common stock, par value \$0.001 per share, 50,000,000 shares authorized; no<br>shares issued or outstanding at September 30, 1998; 29,493,873 shares issued<br>and outstanding at December 31, 1997.....          | --                    | 29                   |
| Class A Common Stock, par value \$0.001 per share, 100,000,000 shares<br>authorized, 4,852,900 shares issued and outstanding at September 30, 1998;<br>no shares issued or outstanding at December 31, 1997.....  | 5                     | --                   |
| Class B Common Stock, par value \$0.001 per share, 100,000,000 shares<br>authorized, 30,735,514 shares issued and outstanding at September 30, 1998;<br>no shares issued or outstanding at December 31, 1997..... | 31                    | --                   |
| Additional paid-in capital.....   | 41,544                | 20                   |
| Accumulated other comprehensive income.....   | 553                   | 158                  |
| Accumulated earnings (deficit).....   | 2,463                 | (634)                |
| Deferred compensation.....  | (1,187)               | --                   |
|   | -----                 | -----                |
| Total stockholders' (deficit) equity.....   | 43,409                | (427)                |
|   | -----                 | -----                |
| Total liabilities and stockholders' (deficit) equity.....   | \$76,563              | \$30,065             |
|   | =====                 | =====                |

The accompanying notes are an integral part of these Consolidated Financial Statements.

CONSOLIDATED STATEMENTS OF OPERATIONS AND COMPREHENSIVE INCOME  
FOR THE THREE MONTHS ENDED SEPTEMBER 30, 1998 AND 1997  
(IN THOUSANDS, EXCEPT SHARE AND PER SHARE DATA)  
(UNAUDITED)

|   | 1998       | 1997       |
|---|------------|------------|
|   | -----      | -----      |
| Revenues:   |            |            |
| Product licenses.....   | \$ 16,949  | \$ 10,545  |
| Product support.....  | 10,065     | 4,206      |
|   | -----      | -----      |
| Total revenues.....   | 27,014     | 14,751     |
|   | -----      | -----      |
| Cost of revenues:   |            |            |
| Product licenses.....   | 586        | 434        |
| Product support.....  | 4,658      | 2,462      |
|   | -----      | -----      |
| Total cost of revenues.....   | 5,244      | 2,896      |
|   | -----      | -----      |
| Gross margin.....   | 21,770     | 11,855     |
| Operating expenses:   |            |            |
| Sales and marketing.....  | 12,926     | 7,872      |
| Research and development.....   | 3,218      | 1,487      |
| General and administrative.....   | 2,941      | 1,998      |
|   | -----      | -----      |
| Total operating expenses.....   | 19,085     | 11,357     |
|   | -----      | -----      |
| Income from operations.....   | 2,685      | 498        |
| Interest income.....  | 551        | 37         |
| Interest expense.....   | (120)      | (48)       |
| Other income (expense), net.....  | (7)        | (1)        |
|   | -----      | -----      |
| Income before income taxes.....   | 3,109      | 486        |
| Provision for income taxes.....   | 1,181      | --         |
|   | -----      | -----      |
| Net income.....   | \$ 1,928   | \$ 486     |
|   | =====      | =====      |
| Other comprehensive income (expense):   |            |            |
| Foreign currency translation adjustment.....  | 332        | (125)      |
|   | -----      | -----      |
| Comprehensive income.....   | \$ 2,260   | \$ 361     |
|   | =====      | =====      |
| Basic net income per share.....   | \$0.05     | \$0.02     |
|   | =====      | =====      |
| Weighted average shares outstanding used in computing basic net income per share.....   | 35,543,737 | 29,493,873 |
|   | =====      | =====      |
| Diluted net income per share.....   | \$0.05     | \$0.02     |
|   | =====      | =====      |
| Weighted average shares outstanding used in computing diluted net income per share..... | 40,881,728 | 31,850,842 |
|   | =====      | =====      |

The accompanying notes are an integral part of these Consolidated Financial Statements.

2

MICROSTRATEGY INCORPORATED

CONSOLIDATED STATEMENTS OF OPERATIONS AND COMPREHENSIVE INCOME  
FOR THE NINE MONTHS ENDED SEPTEMBER 30, 1998 AND 1997  
(IN THOUSANDS, EXCEPT SHARE AND PER SHARE DATA)  
(UNAUDITED)

|                                 | 1998      | 1997      |
|---------------------------------|-----------|-----------|
|                                 | -----     | -----     |
| Revenues:                       |           |           |
| Product licenses.....           | \$ 47,476 | \$ 23,410 |
| Product support.....            | 23,223    | 11,353    |
|                                 | -----     | -----     |
| Total revenues.....             | 70,699    | 34,763    |
|                                 | -----     | -----     |
| Cost of revenues:               |           |           |
| Product licenses.....           | 1,676     | 1,187     |
| Product support.....            | 11,934    | 6,320     |
|                                 | -----     | -----     |
| Total cost of revenues.....     | 13,610    | 7,507     |
|                                 | -----     | -----     |
| Gross margin.....               | 57,089    | 27,256    |
| Operating expenses:             |           |           |
| Sales and marketing.....        | 35,759    | 20,200    |
| Research and development.....   | 8,086     | 3,137     |
| General and administrative..... | 8,104     | 4,163     |

|  |            |            |
|--|------------|------------|
| Total operating expenses.....  | 51,949     | 27,500     |
| Income (loss) from operations.....   | 5,140      | (244)      |
| Interest income.....   | 682        | 54         |
| Interest expense.....  | (621)      | (202)      |
| Other income (expense), net.....   | (31)       | (3)        |
| Income before income taxes.....  | 5,170      | (395)      |
| Provision for income taxes.....  | 1,758      | --         |
| Net income (loss).....   | \$ 3,412   | \$ (395)   |
| Other comprehensive income:  |            |            |
| Foreign currency translation adjustment.....   | 392        | (95)       |
| Comprehensive income (loss).....   | \$ 3,804   | \$ (490)   |
| Basic net income (loss) per share.....   | \$0.10     | \$ (0.01)  |
| Weighted average shares outstanding used in computing basic net income (loss) per share.....   | 32,771,485 | 29,501,012 |
| Diluted net income (loss) per share.....   | \$0.09     | \$ (0.01)  |
| Weighted average shares outstanding used in computing diluted net income (loss) per share..... | 37,936,672 | 29,501,012 |
| Pro forma information (unaudited):   |            |            |
| Income before income taxes, as reported.....   | \$ 5,170   |            |
| Pro forma income taxes.....  | (1,965)    |            |
| Pro forma net income.....  | \$ 3,205   |            |
| Pro forma basic net income per share.....  | \$0.10     |            |
| Pro forma diluted net income per share.....  | \$0.08     |            |

The accompanying notes are an integral part of these Consolidated Financial Statements.

3

MICROSTRATEGY INCORPORATED

CONSOLIDATED STATEMENTS OF CASH FLOWS  
FOR THE NINE MONTHS ENDED SEPTEMBER 30, 1998 AND 1997  
(IN THOUSANDS)  
(UNAUDITED)

|  | 1998      | 1997     |
|--|-----------|----------|
|  | -----     | -----    |
| Operating activities:  |           |          |
| Net income (loss).....   | \$ 3,412  | \$ (395) |
| Adjustments to reconcile net income (loss) to net cash from operating activities:            |           |          |
| Depreciation and amortization.....   | 2,045     | 648      |
| Provision for doubtful accounts, net of write-offs and recoveries.....                       | 150       | 312      |
| Other.....   | 163       | --       |
| Changes in operating assets and liabilities, net of effect of foreign exchange rate changes: |           |          |
| Accounts receivable.....   | (13,228)  | (1,192)  |
| Prepaid expenses and other current assets.....   | (938)     | (240)    |
| Accounts payable and accrued expenses, compensation and benefits.....                        | 1,213     | 3,426    |
| Deferred revenue.....  | 1,145     | 2,589    |
| Deposits and other assets.....   | (48)      | 117      |
| Net cash provided by (used in) operating activities.....                                     | (6,086)   | 5,265    |
| Investing activities:  |           |          |
| Acquisition of property and equipment.....   | (6,144)   | (2,876)  |
| Increase in capitalized software.....  | --        | (1,400)  |
| Net cash used in investing.....  | (6,144)   | (4,276)  |
| Financing activities:  |           |          |
| Proceeds from sale of Class A common stock and exercise of stock options.....                | 48,797    | --       |
| Repayments on short-term line of credit, net.....  | (4,508)   | --       |
| Proceeds from payments on notes receivable.....  | --        | 41       |
| Repayments of dividend notes payable.....  | (2,500)   | --       |
| Proceeds from issuance of notes payable.....   | 862       | 1,272    |
| Principal payments on notes payable.....   | (4,211)   | (369)    |
| Net cash provided by financing activities.....   | 38,440    | 944      |
| Effect of foreign exchange rate changes on cash.....   | 152       | (113)    |
| Net increase in cash and cash equivalents.....   | 26,362    | 1,820    |
| Cash and cash equivalents, beginning of year.....  | 3,506     | 1,686    |
| Cash and cash equivalents, end of period.....  | \$ 29,868 | \$ 3,506 |
| Supplemental disclosure of noncash investing and financing activities:                       |           |          |

|   |          |        |
|---|----------|--------|
| Retirement of treasury stock.....                 | \$ --    | \$ 193 |
|   | =====    | =====  |
| Supplemental disclosure of cash flow information: |          |        |
| Cash paid during the year for interest.....       | \$ 576   | \$ 144 |
|   | =====    | =====  |
| Cash paid during the year for income taxes.....   | \$ 1,330 | \$ --  |
|   | =====    | =====  |

The accompanying notes are an integral part of these Consolidated Financial Statements.

MICROSTRATEGY INCORPORATED

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
(IN THOUSANDS, EXCEPT SHARE AND PER SHARE DATA)

1. BASIS OF PRESENTATION.

The consolidated balance sheet of MicroStrategy Incorporated as of September 30, 1998, the related consolidated statements of operations for the three month and nine month periods ended September 30, 1998 and 1997, and the consolidated statements of cash flows for the nine months ended September 30, 1998 and 1997 are unaudited. In the opinion of management, all adjustments (consisting of normal recurring items) necessary for a fair presentation of such financial statements have been included. Interim results are not necessarily indicative of results for a full year.

The consolidated financial statements and notes are presented as required by Form 10-Q and do not contain certain information included in the Company's annual financial statements and notes. These financial statements should be read in conjunction with the Company's audited financial statements and the notes thereto for the year ended December 31, 1997 filed with the Securities and Exchange Commission.

2. INITIAL PUBLIC OFFERING.

On June 16, 1998, the Company issued 4.6 million shares of Class A Common Stock in an initial public offering raising approximately \$48.7 million (the "Initial Public Offering"). The holders of Class A Common Stock generally have rights identical to those of holders of Class B Common Stock, except that holders of Class A Common Stock are entitled to one vote per share while holders of Class B Common Stock are entitled to ten votes per share on all matters submitted to a vote of stockholders.

3. RECENT ACCOUNTING STANDARDS.

As of September 30, 1998, the Company has adopted Statement of Financial Accounting Standards ("SFAS") No. 130, "Reporting Comprehensive Income," which requires additional disclosures with respect to certain changes in assets and liabilities that previously were not required to be reported as results of operations for the period. In addition, SFAS No. 131, "Disclosures about Segments of an Enterprise and Related Information" was issued, which establishes standards for the manner in which public companies report information about operating segments, products and services, geographic areas and major customers in annual and interim financial statements. SFAS No. 131 will be effective for the Company's filing on Form 10-K for the year ending December 31, 1998.

In February 1998, the FASB issued SFAS No. 132, Employers' Disclosures about Pensions and Other Postretirement Benefits. The statement becomes effective for the Company's fiscal year 1998 and standardizes the disclosure requirements for pensions and other postretirement benefits to require additional information on changes in the benefit obligation and fair values of plan assets. The Company believes the adoption of SFAS No. 132 will not have a material effect on the financial statements.

In June 1998, the FASB issued SFAS No. 133, Accounting for Derivative Instruments and Hedging Activities, which will be effective for the Company's

fiscal year 2000. This statement establishes accounting and reporting standards requiring that every derivative instrument, including certain derivative instruments imbedded in other contracts, be recorded in the balance sheet as either an asset or liability measured at its fair value. The statement also requires that changes in the derivative's fair value be recognized in earnings unless specific hedge accounting criteria are met. The Company believes the adoption of SFAS No. 133 will not have a material effect on the financial statements.

4. USE OF ESTIMATES.

The preparation of the consolidated financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the amounts reported in the consolidated financial statements and accompanying notes. Actual results could differ from those estimates.

5. INCOME TAXES.

Prior to the Initial Public Offering, the Company had elected to be treated for federal and state income tax purposes as a Subchapter S corporation. Under Subchapter S, the taxable income or loss is reported by the stockholders and, accordingly, no federal or state income taxes had been provided in the financial statements prior to consummation of the Initial Public Offering.

In connection with the Initial Public Offering, the Company converted to a Subchapter C corporation and, accordingly, is no longer treated as a Subchapter S corporation for tax purposes. The Company is now subject to federal and state income taxes and will recognize deferred taxes in accordance with SFAS No. 109, "Accounting For Income Taxes," which the Company adopted upon consummation of the Initial Public Offering. This statement provides for a liability approach under which deferred income taxes are provided based upon enacted tax laws and rates applicable to the periods in which the taxes become payable. The adoption of SFAS No. 109 did not have a material impact on the Company's operating results. As of September 30, 1998, the Company's deferred tax assets of approximately \$0.8 million consist primarily of net operating loss carryforwards related to foreign operations net of deferred tax assets and liabilities due to the change from cash to accrual basis taxpayer. The Company recorded a valuation allowance amounting to the entire deferred tax asset balance due to the lack of consistent earnings in several of its foreign operations and the uncertainty as to whether the deferred tax asset is realizable.

The consolidated statement of operations includes pro forma information to reflect income taxes as if the Company had been a Subchapter C corporation for the nine months ended September 30, 1998.

6. NET INCOME (LOSS) PER SHARE.

Unaudited reconciliations of the basic net income (loss) per share and diluted net income (loss) per share computations for the three months and nine months ended September 30, 1998 and 1997 are as follows:

|   | FOR THE THREE MONTHS ENDED |            | FOR THE NINE MONTHS ENDED |            |
|---|----------------------------|------------|---------------------------|------------|
|   | SEPTEMBER 30,              |            | SEPTEMBER 30,             |            |
|   | 1998                       | 1997       | 1998                      | 1997       |
| BASIC NET INCOME (LOSS) PER SHARE:  |                            |            |                           |            |
| Weighted-average common shares outstanding.....   | 35,543,737                 | 29,493,873 | 32,771,485                | 29,501,012 |
| Net income (loss).....  | \$ 1,928                   | \$ 486     | \$ 3,412                  | \$ (395)   |
| Basic net income (loss) per share.....  | \$ 0.05                    | \$ 0.02    | \$ 0.10                   | \$ (0.01)  |
| DILUTED NET INCOME (LOSS) PER SHARE:  |                            |            |                           |            |
| Weighted-average common shares outstanding.....   | 35,543,737                 | 29,493,873 | 32,771,485                | 29,501,012 |
| Common shares issuable on exercise of stock options, net of shares assumed to be repurchased at the average market price..... | 5,337,991                  | 2,356,968  | 5,165,187                 | --         |
| Weighted-average common shares outstanding assuming dilution.....   | 40,881,728                 | 31,850,842 | 37,936,672                | 29,501,012 |

|  |          |         |          |           |
|--|----------|---------|----------|-----------|
| Net income (loss).....                   | \$ 1,928 | \$ 486  | \$ 3,412 | \$ (395)  |
| Diluted net income (loss) per share..... | \$ 0.05  | \$ 0.02 | \$ 0.09  | \$ (0.01) |

Common stock equivalents are included in the computation of diluted net income (loss) per share using the

6

treasury stock method. During the nine-month period ended September 30, 1997, stock options granted by the Company to purchase 2,345,096 common shares were not included in the computation because the effect was anti-dilutive.

Immediately prior to the Initial Public Offering, all outstanding shares of common stock were exchanged and converted into shares of Class A Common Stock and exchanged for an identical number of shares of Class B Common Stock.

7. YEAR 2000.

Many currently installed computer systems and software products are coded to accept only two digit entries in the date code field. These date code fields will need to accept four digit entries to distinguish 21st century dates from 20th century dates. As a result, in less than two years, computer systems and software used by many companies may need to be upgraded to comply with such "Year 2000" requirements. The Company has designed the 5.0 version of its products to be capable of handling four digit dates, and therefore the Company believes that the direct impact of the Year 2000 problem on the Company's products will not be significant. However, certain of the Company's products incorporate third-party software. There can be no assurances that the Company's current products (including those that incorporate third-party software and those that do not) do not contain undetected errors or unanticipated defects associated with the Year 2000 date functions that may result in material costs to the Company. It has been widely reported that a significant amount of "business interruption" litigation will arise out of Year 2000 compliance issues. It is uncertain whether or to what extent the Company may be affected by such litigation. In addition, Year 2000 issues may significantly affect the purchasing patterns of customers and potential customers. Many companies are expending significant resources to correct or patch their current software systems for Year 2000 compliance. These expenditures may result in reduced funds available to purchase software products such as those offered by the Company.

Although the Company is not aware of any material operational issues or costs associated with preparing its internal systems for the Year 2000, there can be no assurances that the Company will not experience unanticipated negative consequences and/or material costs caused by undetected errors or defects in the technology used in its internal systems, which are composed of the Company's own software products with respect to software and which also include third party software and hardware technology.

MicroStrategy has funded its Year 2000 compliance activities from cash flows and has not allocated additional funds in the past to the Year 2000 effort associated with either our software or internal systems. During 1999, the Company intends to spend an estimated \$100,000 on preparing its internal systems for the Year 2000. The Company does not plan to utilize extensive outside assistance in the completion of its internal Year 2000 effort.

7

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

OVERVIEW

The primary business of the Company following its incorporation in 1989 was to provide software consulting services for customers to help them build custom decision support systems. The Company's activities during 1994 and 1995 increasingly focused on the development and sale of software products, culminating in the release of a full complement of DSS products in 1995. Since this time, the Company has continued to focus significant resources on the development of additional functionality and features to its DSS software products. As a result, the Company has transitioned its primary business from that of a provider of services to a provider of software products.

Since 1995, the Company has significantly increased its sales and marketing, service and support, research and development and general and administrative staffs. The Company has more than doubled its headcount each year since 1995. At January 1, 1995, the Company had 59 employees, and at September 30, 1998, it had 841 employees. Although the Company's revenues have significantly increased in each of the last nine quarters, the Company experienced fluctuating operating margins during 1996, 1997 and the first half of 1998 primarily as a result of increases in staff levels. The Company expects to continue to increase staffing levels and incur additional associated costs in future periods. If the Company is unable to achieve corresponding substantial revenue growth, the Company could suffer operating losses in one or more fiscal quarters and may be unable to forecast such losses prior to the end of any given fiscal quarter. In addition, the Company has experienced net losses and losses from operations for the fiscal years ended December 31, 1996 and December 31, 1994, and was only marginally profitable for the fiscal years ended December 31, 1997 and December 31, 1995.

The Company's revenues are derived from two principal sources (i) product licenses and (ii) fees for maintenance, technical support, training and consulting services (collectively, "Product Support"). Prior to January 1, 1998 the Company recognized revenue in accordance with Statement of Position 91-1, "Software Revenue Recognition." Subsequent to December 31, 1997, the Company began recognizing revenue in accordance with Statement of Position 97-2, "Software Revenue Recognition." Product license revenues are generally recognized upon the execution of a contract and shipment of the related software product, provided that no significant vendor obligations remain outstanding and the resulting receivable is deemed collectible by management. Maintenance revenues are derived from customer support agreements generally entered into in connection with initial product license sales and subsequent renewals. Fees for the Company's maintenance and support plans are recorded as deferred revenue when billed to the customer and recognized ratably over the term of the maintenance and support agreement, which is typically one year. Fees for the Company's training and consulting services are recognized at the time the services are performed.

The sales cycle for the Company's products may span nine months or more. Historically, the Company has typically recognized a substantial portion of its revenues in the last month of a quarter, with these revenues frequently concentrated in the last two weeks of a quarter. Even minor delays in booking orders may have a significant adverse impact on revenues for a particular quarter. To the extent that delays are incurred in connection with orders of significant size, the impact will be correspondingly greater. Moreover, the Company currently operates with virtually no order backlog because its software products typically are shipped shortly after orders are received. Product license revenues in any quarter are substantially dependent on orders booked and shipped in that quarter. As a result of these and other factors, the Company's quarterly results have varied significantly in the past and are likely to fluctuate significantly in the future. Accordingly, the Company believes that quarter-to-quarter comparisons of its results of operations are not necessarily indicative of the results to be expected for any future period. See "Risk Factors--Potential Fluctuations in Quarterly Operating Results."

The Company licenses its software through its direct sales force and through, or in conjunction with, Value Added Resellers ("VARs") and Original Equipment Manufacturers ("OEMs"). VARs and OEMs

8

accounted for, directly or indirectly, approximately 33%, 27.5%, 9.0% and 0.1% of the Company's revenues for the nine months ended September 30, 1998 and for the years ended 1997, 1996 and 1995, respectively. Although the Company believes that direct sales will continue to account for a majority of product license revenues, the Company intends to increase the level of indirect sales activities. As a result, the Company expects that sales of its product licenses through sales alliances, distributors, resellers and other indirect channels will increase as a percentage of product license revenues. However, there can be no assurance that the Company's efforts to continue to expand indirect sales will be successful. The Company also intends to continue to expand its international operations and has committed, and continues to commit, significant management time and financial resources to developing direct and indirect international sales and support channels.

RESULTS OF OPERATIONS



The following table sets forth for the periods indicated the percentage of total revenues represented by certain items reflected in the Company's consolidated statements of operations:

|  | THREE MONTHS ENDED |       | NINE MONTHS ENDED |        |
|--|--------------------|-------|-------------------|--------|
|  | SEPTEMBER 30,      |       | SEPTEMBER 30,     |        |
|  | 1998               | 1997  | 1998              | 1997   |
| CONSOLIDATED STATEMENT OF OPERATIONS DATA: |                    |       |                   |        |
| Revenues:                                  |                    |       |                   |        |
| Product licenses.....                      | 62.7%              | 71.5% | 67.2%             | 67.3%  |
| Product support.....                       | 37.3               | 28.5  | 32.8              | 32.7   |
| Total revenues.....                        | 100.0              | 100.0 | 100.0             | 100.0  |
| Cost of revenues:                          |                    |       |                   |        |
| Product licenses.....                      | 2.2                | 2.9   | 2.4               | 3.4    |
| Product support.....                       | 17.2               | 16.7  | 16.9              | 18.2   |
| Total cost of revenues.....                | 19.4               | 19.6  | 19.3              | 21.6   |
| Gross margin.....                          | 80.6               | 80.4  | 80.7              | 78.4   |
| Operating expenses:                        |                    |       |                   |        |
| Sales and marketing.....                   | 47.8               | 53.4  | 50.6              | 58.1   |
| Research and development.....              | 11.9               | 10.1  | 11.4              | 9.0    |
| General and administrative.....            | 10.9               | 13.5  | 11.5              | 12.0   |
| Total operating expenses.....              | 70.6               | 77.0  | 73.5              | 79.1   |
| Income (loss) from operations.....         | 10.0               | 3.4   | 7.2               | (0.7)  |
| Interest income.....                       | 2.0                | 0.3   | 1.0               | 0.2    |
| Interest expense.....                      | (0.4)              | (0.3) | (0.9)             | (0.6)  |
| Other income (expense), net.....           | --                 | --    | --                | --     |
| Provision for income taxes.....            | (4.4)              | --    | (2.5)             | --     |
| Net income (loss).....                     | 7.2 %              | 3.4 % | 4.8%              | (1.1)% |

COMPARISON OF THREE MONTHS ENDED SEPTEMBER 30, 1998 AND 1997

Revenues. Total revenues increased to \$27.0 million for the three months ended September 30, 1998 from \$14.8 million in the three months ended September 30, 1997, representing an increase of 83.1%. Total revenues consist of revenues derived from sales of software product licenses and Product Support. There can be no assurance that total revenues will continue to increase at the rates experienced in prior periods.

Product License Revenues. Product license revenues increased to \$16.9 million for the three months ended September 30, 1998 from \$10.5 million in the same period ended September 30, 1997, representing an increase of 60.7%. Product license revenues constituted 62.7% and 71.5% of total revenues for the three months ended September 30, 1998 and the three months ended September 30, 1997, respectively. The significant increases in the dollar amount of product license revenues were due to growing market acceptance of the Company's software products and continued expansion of the Company's sales and marketing organization.

Product Support Revenues. Product support revenues increased to \$10.1 million for the three months ended September 30, 1998 from \$4.2 million in the same period ended September 30, 1997, representing an increase of 139.3%. Product support revenues constituted 37.3% and 28.5% of total revenues for the three months ended September 30, 1998 and the three months ended September 30, 1997, respectively. The increases in the dollar amount of product support revenues were primarily due to the increase in the number of DSS licenses sold, in conjunction with several large consulting deployments during the quarter. The Company expects product support revenues as a percentage of total revenues to

fluctuate on a period to period basis but generally not to vary significantly from the percentage of total revenues achieved in 1997 and early 1998. However, an element of the Company's sales and marketing strategy is to leverage third-party implementation services to enable it to more rapidly penetrate its target market. To the extent that such efforts are successful, the Company's product support revenues could decline as a percentage of total revenues.

International Revenues. The Company recognized \$6.5 million and \$4.5 million of international revenues for the three months ended September 30, 1998, and 1997, respectively, representing approximately 24.0% and 31% of total revenues, respectively. The Company opened sales offices in Australia, Canada and Italy in 1998; in Austria, France and the Netherlands in 1997; in Germany in 1996; in the United Kingdom in 1995; and in Spain in 1994.

#### Costs and Expenses

Cost of Product License Revenues. Cost of product license revenues consists primarily of the costs of product manuals, media, amortization of capitalized software and shipping paid to third parties. Cost of product license revenues was \$0.6 million and \$0.4 million for the three months ended September 30, 1998 and the three months ended September 30, 1997, respectively, representing 3.5% and 4.1% of total product license revenues, respectively. The increases in dollar amounts of the Company's cost of product licenses are directly attributable to the increases in the Company's product license revenues coupled with the amortization of capitalized software. The total cost of product license revenues as a percentage of revenues decreased during the three months ended September 30, 1998 from the three months ended September 30, 1997, due to economies of scale realized by producing larger volumes of product materials and an increasing number of customers reproducing licenses at their sites. The Company anticipates that the cost of product license revenues will increase in dollar amount as license fee revenues increase, but remain relatively constant as a percentage of product license revenues. However, in the event that the Company enters into any royalty arrangements in the future, cost of product license revenues as a percentage of total product license revenues may increase.

Cost of Product Support Revenues. Cost of product support revenues consists of the costs of providing telephone support, training and consulting services to customers and partners. Cost of product support revenues was \$4.7 million and \$2.5 million during the three months ended September 30, 1998 and the three months ended September 30, 1997, respectively, representing 46.3% and 58.5% of total product support revenues, respectively. The dollar increase in cost of product support revenues was primarily due to the increase in the number of personnel providing consulting, training, and telephone support to customers and to the training and related costs associated with increasing personnel levels. Despite the increases in personnel and other costs in the three months ended September 30, 1998, the total cost of product support revenues remained constant as a percentage of revenues during the three months ended September 30, 1998 from the three months ended September 30, 1997, primarily due to increases in maintenance revenues which typically do not require proportionate increases in the costs required to perform associated maintenance services. The Company expects to continue to increase the number of training and implementation consultants in the future, as well as technical support personnel. To the extent that the Company's product support revenues do not increase at anticipated rates, the hiring of additional consultants and technical support personnel could increase the cost of product support revenues as a percentage of product support revenues.

Sales and Marketing Expenses. Sales and marketing expenses include personnel costs, commissions, office facilities, travel, promotional events such as trade shows, seminars and technical conferences, advertising and public relations programs. Sales and marketing expenses were \$12.9 million and \$7.9 million for the three months ended September 30, 1998 and the three months ended September 30, 1997, respectively, representing 47.8% and

53.4% of total revenues, respectively. The increase in sales and marketing expenses in dollar amounts in the three months ended September 30, 1998 was primarily due to increased staffing as the Company established new domestic and international sales offices and expanded its existing direct sales force, and to a lesser extent, increased commissions to sales representatives as a result of increased sales of software licenses and increased promotional activities relating to the announcement of certain product enhancements or releases. The Company believes that it is critically important to gain market share among

high-end customers. The Company has invested and will continue to invest heavily in sales and marketing in order to create better market awareness of the value-added potential of DSS products and to seek to acquire market share.

**Research and Development Expenses.** Research and development expenses consist primarily of salaries and benefits of software engineering personnel, payments to contract programmers, depreciation of equipment and expendable equipment purchases. Research and development expenses were \$3.2 million and \$1.5 million in the three months ended September 30, 1998 and 1997, respectively, representing 11.9% and 10.1% of total revenues, respectively. The increases in research and development expenses were primarily due to additional hiring of research and development personnel. The company expects that research and development expenses will continue to increase in dollar amount as the Company continues to invest in developing new products, applications and product enhancements. In 1997, in accordance with SFAS No. 86, the Company capitalized research and development costs due to the significant increase in product development activities associated with the version 5.0 release of the Company's DSS software product line. As a result, the Company capitalized approximately \$0.5 million of research and development costs during the three months ended September 30, 1997. During the three months ended September 30, 1998, in accordance with SFAS No. 86, the costs incurred between the establishment of technological feasibility and general availability of the Company's products were not material and therefore have been expensed rather than capitalized.

**General and Administrative Expenses.** General and administrative expenses include the personnel and other costs of the finance, human resources, information systems, administrative and executive departments of the Company as well as outside professional fees. General and administrative expenses were \$2.9 million and \$2 million in the three months ended September 30, 1998 and the three months ended September 30, 1997, respectively, representing 10.9% and 13.5% of total revenues, respectively. The increases in the dollar amount of general and administrative expenses were primarily the result of increased staff levels and related costs associated with the growth of the Company's business during these periods. Although the Company expects that the dollar amount of general and administrative expenses will continue to increase in the foreseeable future, such expenses are not expected to significantly vary as a percentage of total revenues in the future.

**Provision for Income Taxes.** Prior to consummation of the Initial Public Offering, the Company had elected to be treated as a Subchapter S corporation for federal and state income tax purposes. Under Subchapter S, the Company's income was allocated and taxable to the Company's individual stockholders rather than to the Company. Accordingly, no federal or state income taxes have been provided for in the financial statements, prior to consummation of the Initial Public Offering.

The Company's S corporation status terminated shortly prior to consummation of the Initial Public Offering at which time the Company became subject to federal and state corporate income taxation as a Subchapter C corporation. As a result, the Company will now account for income taxes as a Subchapter C corporation and has adopted SFAS No. 109, "Accounting for Income Taxes." The Company recorded income tax expense of \$1.2 million for the three months ended September 30, 1998. The adoption of SFAS No. 109 did not have a material impact on the Company's operating results.

#### COMPARISON OF NINE MONTHS ENDED SEPTEMBER 30, 1998 AND 1997

**Revenues.** Total revenues increased 103.4% to \$70.7 million for the nine months ended September 30, 1998 from \$34.8 million for the nine months ended September 30, 1997.

**Product License Revenues.** Product license revenues increased 102.8% to \$47.5 million for the nine months ended September 30, 1998 from \$23.4 million for the nine months ended September 30, 1997, representing 67.2%

11

and 67.3% of total revenues for the nine months ended September 30, 1998 and 1997, respectively. The significant increases in product license revenues were due to growing market acceptance of the Company's software products and continued expansion of the Company's sales and marketing organization.

**Product Support Revenues.** Product support revenues increased 104.6% to \$23.2 million for the nine months ended September 30, 1998 from \$11.4 million

for the nine months ended September 30, 1997, representing 32.8% and 32.7% of total revenues for the nine months ended September 30, 1998 and 1997, respectively. The increase in the dollar amount of product support revenues was primarily due to the increase in the number of DSS licenses sold. However, product support revenues decreased as a percentage of total revenues during these periods primarily due to the transition of the Company's business from a provider of consulting services to a provider of software products.

International Revenues. The Company recognized \$16.1 million and \$9.2 million of international revenues in the nine months ended September 30, 1998 and September 30, 1997, representing approximately 22.7% and 26.4% of total revenues, respectively. The Company opened sales offices in Australia, Canada and Italy in 1998; in Austria, France and the Netherlands in 1997; in Germany in 1996; in the United Kingdom in 1995; and in Spain in 1994.

#### Costs and Expenses

Cost of Product License Revenues. Cost of product license revenues increased to \$1.7 million for the nine months ended September 30, 1998 from \$1.2 million for the same period ended September 30, 1997, representing 2.4% and 3.4% of total product license revenues, respectively. The increase in the Company's cost of product licenses was directly attributable to the increases in the Company's product license revenue, coupled with the amortization of capitalized software. The total cost of product license revenues as a percentage of revenues decreased during 1998 from the same period in 1997, due to economies of scale realized by producing larger volumes of product materials and an increasing number of customers reproducing licenses at their sites.

Cost of Product Support Revenues. Cost of product support revenues increased to \$11.9 million for the nine months ended September 30, 1998 from \$6.3 million for the same period ended September 30, 1997, representing 16.9% and 18.2% of total product support revenues, respectively. The increase in the Company's cost of product support revenues in 1998 was primarily due to the increase in the number of personnel providing consulting, training, and telephone support to customers and to the training and related costs associated with increasing personnel levels.

Sales and Marketing Expenses. Sales and marketing expenses increased to \$35.8 million for the nine months ended September 30, 1998 from \$20.2 million for the same period ended September 30, 1997, representing 50.6% and 58.1% of total revenues, respectively. The increase in sales and marketing expenses in 1998 was primarily due to increased staffing as the Company established new international sales offices and expanded its existing direct sales force in addition to increased commissions to sales representatives as a result of increased sales of software licenses and increased promotional activities relating to the announcement of certain product enhancements or releases. The Company believes that in light of the relatively long sales cycle associated with decision support solutions and the recent emergence of the industry, it is critically important to gain market share among high-end customers. The Company has invested and will continue to invest heavily in sales and marketing in order to create better market awareness of the value-added potential of DSS products and to seek to acquire market share.

Research and Development Expenses. Research and development expenses increased to \$8.1 million for the nine months ended September 30, 1998 from \$3.1 million for the same period ended September 30, 1997, representing 11.4% and 9.0% of total revenues, respectively. The increases in research and development expenses were primarily due to additional hiring of research and development personnel. The Company expects that research and development expenses will continue to increase in dollar amount as the Company continues to invest in developing new products, applications and product enhancements. In 1997, in accordance with SFAS No. 86, the Company capitalized research and development costs due to the significant increase in product development activities associated with the version 5.0 release of the Company's DSS software product line. As a result, the

Company capitalized approximately \$1.5 million of costs during the nine months ended September 30, 1997. During the nine months ended September 30, 1998, in accordance with SFAS No. 86, the costs incurred between the establishment of technological feasibility and general availability of the Company's products were not material and therefore have been expensed rather than capitalized.

General and Administrative Expenses. General and administrative expenses increased to \$8.1 million for the nine months ended September 30, 1998 from \$4.2 million for the same period ended September 30, 1997, representing 11.5% and 12% of total revenues, respectively. The increase in the dollar amount of general and administrative expenses was primarily the result of increased staffing and related costs associated with the growth of the Company's business during these periods.

Deferred Compensation Expense. During the nine months ended September 30, 1998 the Company granted options to purchase shares of common stock, of which options to purchase 501,000 shares of common stock were granted at exercise prices below fair market value. The Company will amortize approximately \$1.3 million of compensation expense relating to these options ratably over the five year vesting period of these options. The Company will record additional compensation expense relating to the options to be allocated across the above expense categories, as appropriate, for the years ending December 31, 1998, 1999, 2000, 2001, 2002 and 2003 of \$0.2 million, \$0.3 million, \$0.3 million, \$0.2 million, \$0.2 million and \$0.1 million, respectively. For the nine months ended September 30, 1998 compensation expense related to the aforementioned options is approximately \$0.15 million.

Provision for Income Taxes. Prior to consummation of the Company's Initial Public Offering, the Company had elected to be treated as a Subchapter S corporation for federal and state income tax purposes. Under Subchapter S, the Company's income was allocated and taxable to the Company's individual stockholders rather than to the Company. Accordingly, no federal or state income taxes have been provided for in the financial statements, prior to consummation of the Initial Public Offering.

The Company's S corporation status terminated shortly prior to consummation of the Initial Public Offering. The Company is now subject to federal and state corporate income taxation as a Subchapter C corporation. As a result, the Company has adopted SFAS No. 109, "Accounting for Income Taxes." The Company recorded income tax expense of \$1.8 million for the nine months ended September 30, 1998. Had the Company been taxed as a C corporation for the entire nine months ended September 30, 1998, the Company would have recorded income tax expense of \$2 million. The adoption of SFAS No. 109 did not have a material impact on the Company's operating results.

#### RECENTLY ISSUED ACCOUNTING STANDARDS

As of September 30, 1998, the Company has adopted Statement of Financial Accounting Standards ("SFAS") No. 130, "Reporting Comprehensive Income," which requires additional disclosures with respect to certain changes in assets and liabilities that previously were not required to be reported as results of operations for the period. In addition, SFAS No. 131, "Disclosures about Segments of an Enterprise and Related Information" was issued, which establishes standards for the manner in which public companies report information about operating segments, products and services, geographic areas and major customers in annual and interim financial statements. SFAS No. 131 will be effective for the Company's filing on Form 10-K for the year ending December 31, 1998.

In February 1998, the FASB issued SFAS No. 132, Employers' Disclosures about Pensions and Other Postretirement Benefits. The statement becomes effective for the Company's fiscal year 1998 and standardizes the disclosure requirements for pensions and other postretirement benefits to require additional information on changes in the benefit obligation and fair values of plan assets. The Company believes the adoption of SFAS No. 132 will not have a material effect on the financial statements.

In June 1998, the FASB issued SFAS No. 133, Accounting for Derivative Instruments and Hedging Activities, which will be effective for the Company's fiscal year 2000. This statement establishes accounting and reporting standards requiring that every derivative instrument, including certain derivative instruments imbedded in other

contracts, be recorded in the balance sheet as either an asset or liability measured at its fair value. The statement also requires that changes in the derivative's fair value be recognized in earnings unless specific hedge accounting criteria are met. The Company believes the adoption of SFAS No. 133 will not have a material effect on the financial statements.

## LIQUIDITY AND CAPITAL RESOURCES

Since its inception, the Company has primarily financed its operations and met its capital expenditure requirements through cash flows from operations and short- and long-term borrowings. The Company raised \$48.9 million, net of IPO expenses paid to date, from its Initial Public Offering. As a result, at September 30, 1998 and September 30, 1997, the Company had \$29.9 million and \$3.5 million, respectively, of cash and cash equivalents.

Cash flows provided (used) by operations were \$(6.1) million and \$5.3 million for the nine months ended September 30, 1998 and 1997, respectively. The decrease in cash provided by operations in the nine month period ended September 30, 1998 was primarily due to an increase in accounts receivable, offset by an increase in accounts payable and other accrual liabilities and a net operating loss in the nine month period ended September 30, 1997.

The Company's investing activities used cash of \$6.1 and \$4.3 million for the nine months ended September 30, 1998 and 1997, respectively. The principal use of cash in investing activities was for capital expenditures related to the acquisition of computer equipment required to support expansion of the Company's operations.

The Company's financing activities provided cash of \$38.4 million and \$0.9 million for the nine months ended September 30, 1998 and 1997, respectively. The principal source of cash from financing activities during the nine-month period ended September 30, 1998 was from the Initial Public Offering pursuant to which the Company raised \$48.9 million, net of IPO expenses paid to date, which was offset by net principal payments on bank borrowings of \$8.7 million. Prior to the Initial Public Offering, the Company's principal source of cash from financing activities was net borrowings from commercial lending institutions. In December 1996, the Company entered into a loan agreement with a commercial bank (the "Business Loan"). The Business Loan, as amended in September 1998, provides for a \$5.0 million revolving line of credit for general working capital purposes. Borrowings under the Business Loan may not exceed 80% of eligible accounts receivable for the revolving working capital line of credit. The borrowings bear interest at the lender's prime rate or LIBOR plus 1.50% for the revolving line of credit. Borrowings under the Business Loan are collateralized by substantially all of the Company's assets. In July 1998, the Company repaid all net borrowings under the Business Loan. As of September 30, 1998, no amounts were outstanding under the Business Loan.

The Company declared a \$10 million dividend to the shareholders of the Company prior to the Initial Public Offering. The dividend was paid in the form of promissory notes (the "Dividend Notes") prior to the termination of the Company's S corporation election, which occurred immediately prior to the consummation of the Initial Public Offering. The Dividend Notes have (i) a term of one year; (ii) bear interest at the applicable federal rate for debt obligations having a maturity of one year, which was 5.46% as of September 30, 1998, and (iii) are payable in four equal quarterly installments. The Dividend Notes may be prepaid without penalty at any time at the option of the Company. The Company intends to repay the Dividend Notes from cash flows generated from operations, current available cash and cash equivalents, and, to the extent that other sources are insufficient for this purpose, from the proceeds of the Initial Public Offering. As of November 14, 1998, \$5.0 million of the Dividend Notes had been repaid.

The Company believes that the proceeds generated by the sale of Class A Common Stock offered by the Company in its Initial Public Offering, the available borrowings under the Business Loan and the cash generated internally by operations will satisfy the Company's working capital requirements for the foreseeable future.

## RISK FACTORS

Management's Discussion and Analysis of Financial Condition and Results of Operation contains a number of forward-looking statements. These statements are based on current expectations and actual results could differ significantly. Among the factors that could cause actual results to differ are the following:

LIMITED OPERATING HISTORY; UNCERTAINTY OF FUTURE OPERATING RESULTS

The Company did not begin shipping DSS Agent, the first product in the Company's current product family, until 1994, and a number of the Company's products were first introduced in 1995. Accordingly, the Company's prospects must be considered in light of the risks and difficulties frequently encountered by companies in the early stage of development, particularly companies in new and rapidly evolving markets. The Company's limited operating history makes the prediction of future operating results difficult, if not impossible. In addition, the Company has experienced net losses and losses from operations for the fiscal years ended December 31, 1996 and December 31, 1994, and was only marginally profitable for the fiscal years ended December 31, 1997 and December 31, 1995. While the Company has experienced significant percentage growth in revenues in recent periods, prior percentage growth rates should not be considered as necessarily indicative of future growth rates or operating results.

#### POTENTIAL FLUCTUATIONS IN QUARTERLY OPERATING RESULTS

The Company's operating results have in the past and are likely in the future to vary significantly from quarter to quarter as a result of a number of factors, including the size and timing of significant orders, the timing of new product announcements, changes in pricing policies by the Company and its competitors, market acceptance of decision support software generally and of new and enhanced versions of the Company's products in particular, the length of the Company's sales cycles, changes in operating expenses, personnel changes, the Company's success in expanding its direct sales force and indirect distribution channels, the pace and success of international expansion, delays or deferrals of customer implementation and foreign currency exchange rates. Fluctuations in quarterly operating results may in turn produce fluctuations in annual revenues and operating results.

The Company's product revenues are not predictable with any significant degree of certainty. Historically, the Company has typically recognized a substantial portion of its revenues in the last month of a quarter, with these revenues frequently concentrated in the last two weeks of a quarter. Even minor delays in booking orders may have a significant adverse impact on revenues for a particular quarter. To the extent that delays are incurred in connection with orders of significant size, the impact will be correspondingly greater. Moreover, the Company currently operates with virtually no order backlog because its software products typically are shipped shortly after orders are received. As a result, product license revenues in any quarter are substantially dependent on orders booked and shipped in that quarter. Product license revenues are also difficult to forecast because the market for the Company's products is rapidly evolving, and sales cycles, which may last many months, vary substantially from customer to customer. The sales cycle is subject to a number of factors over which the Company has little or no control, including customers' budgetary constraints, the timing of budget cycles, concerns about the introduction of new products by the Company or its competitors and potential downturns in general economic conditions, which may be associated with reductions in demand for management information systems. Product support revenues depend in substantial part on maintenance revenues from existing customers, and to the extent that existing customers do not require ongoing maintenance, revenues would be adversely affected. Seasonal factors may also impact revenue trends as, for example, European sales may tend to be relatively lower during the summer months than during other periods.

In light of the planned expansion of the Company's business, the Company anticipates substantial increases in operating costs and expenses, including costs and expenses to be incurred in connection with expansion of its technical support, research and development and sales and marketing organizations. Substantial resources are also expected to be devoted to the expansion of indirect sales channels and international operations. The Company's

operating expenses are budgeted on anticipated revenue trends, and achieving expense reductions (or even reductions in the rate of expense growth) may not be possible in the short term, irrespective of whether actual revenue growth is commensurate with the budgeted growth on which expense levels are based. As a result, variations in the timing and amounts of revenue could have a material adverse effect on the Company's quarterly operating results.

Based upon all of the factors described above, the Company believes that its quarterly revenues, expenses and operating results are likely to vary significantly in the future, that period-to-period comparisons of its operating

results are not necessarily meaningful and that, in any event, such comparisons should not be relied upon as indications of future performance. Furthermore, it is possible that in some future quarters the Company's operating results will fall below the expectations of the Company, market analysts and investors. In such event, the price of the Class A Common Stock would likely be materially and adversely affected.

#### LENGTHY SALES AND IMPLEMENTATION CYCLES

The licensing of the Company's software products is often an enterprise-wide decision by prospective customers and generally involves a significant commitment of capital and other resources. The period of time between initial customer contact and an actual sales order may therefore span nine months or more as customers seek approval within their organizations for large capital expenditures and implementation of mission-critical technology. During the course of this sales cycle, the competitive environment in which the Company operates may change significantly, due, for example, to the introduction of new products by other industry participants. Customers' budgetary and purchasing priorities may also change significantly during the course of the sales cycle. These factors may in turn have a significant impact on the duration or magnitude of a customer's planned purchasing program. In addition, the time required to deploy the Company's products can vary significantly with the needs of each customer and the complexity of the customer's data warehousing requirements. The deployment process generally extends for several months and may involve a pilot implementation of the Company's software products. The complexity of customer requirements, typically involving integration of databases, hardware and software provided by multiple vendors, may also cause the Company on occasion to experience difficulty implementing its products. There can be no assurance that the Company will not experience delays in the implementation of orders in the future or that third parties will be able to successfully install the Company's products. Any delays in the implementation of the Company's products could have a material adverse effect on the Company's business, operating results and financial condition.

#### COMPETITION

The markets for decision support and Internet-based information services are intensely competitive and subject to rapidly changing technology. The Company's most direct competitors in these markets are providers of decision support software, push products, browsers with webcasting functionality, electronic and Internet commerce systems, vertical Internet information systems, wireless communications products, on-line service providers ("OSPs") and event-driven technology. Many of these competitors are offering (or may soon offer) products and services that may compete with the Company's information analysis and soon-to-be-released information broadcasting products. The bases of competition in these markets include volume and type of information accessed, timeliness of information delivery, degree of personalization, range of information delivery media, quality of presentation, price/performance sophistication of notification events and ease of implementation.

The Company's competitors in the decision support market fall generally into the following categories: (i) vendors of relational online analytical processing ("ROLAP") software such as Information Advantage, Inc. and Platinum Technologies Corporation; (ii) vendors of desktop on-line analytical processing ("OLAP") software such as Business Objects S.A. and Cognos Incorporated; and (iii) vendors of multidimensional OLAP software such as Oracle Corporation, Arbor Software Corporation (which has entered into a strategic relationship with International Business Machines ("IBM")), Seagate Software, Inc. ("Seagate") and SAS Institute Incorporated ("SAS"). The Company anticipates continued growth and competition in the decision support software market and the entrance of new competitors into this market in the future. Such new competitors may include Microsoft Corporation

("Microsoft"), which has indicated that it may introduce certain products in 1998 that may overlap to some extent with the functionality of the Company's products.

Push product vendors such as PointCast Incorporated ("PointCast"), Marimba, Inc. ("Marimba") and BackWeb Technologies Inc. ("BackWeb") offer technologies that deliver information over the Internet to recipients via Web-browsers and proprietary interfaces. Vendors of push products are focused generally on the delivery of text-based information, such as news and sports, but often include



some level of numeric information such as stock price updates. Moreover, Marimba has entered into technology partnerships that will extend the scope of its offering to include the delivery of information and analysis from relational data sources, which could provide the Company with increased competition.

Web-browsers with channels or webcasting functionality, such as Microsoft Internet Explorer and Netscape Navigator, provide an infrastructure for automatically updating a set of information on a recipient's computer. Although this infrastructure is used by the Company to enhance the functionality of its DSS Web product line, webcasting and desktop channels offer an alternative information delivery infrastructure to the Company's DSS Broadcaster product line.

Products and turn-key solutions for electronic commerce, Internet commerce and electronic business, such as those provided by IBM, Open Market Inc., USWEB Corp. ("U.S. Web"), Silicon Valley Internet Partners ("SVIP") and Sun Microsystems ("Sun"), provide a set of functionality that could be used to implement Internet-based information services. To the extent that these information products sell information and analysis from relational databases they will compete with the Company's products.

Vertical Internet information systems, including Microsoft Expedia, Microsoft Investor, StockBoss, Microsoft CarPoint, Mercury Mail, TechWeb, ESavers (US Airways, Inc.), C.O.O.L. (Continental Airlines, Inc.), and Internet Travel Network, have developed custom applications and products for the commercialization, analysis and delivery of specific information via the Internet. These systems are generally tailored to a particular application and built in a fashion that is difficult to leverage into other applications. These systems represent competition, in that they provide similar functionality to applications developed using the Company's products.

Wireless communications and messaging providers, such as AT&T Corp. ("AT&T"), Nextel Communications ("Nextel"), Sprint Corporation ("Sprint"), MCI Communications Corporation ("MCI"), WorldCom, Inc. ("WorldCom"), Tridium Corp. ("Tridium"), PageNet, Inc. ("PageNet") and SkyTel Corp. ("SkyTel"), offer a variety of alpha enabled mobile phones and pagers. It is possible that these companies will implement custom-developed information services for consumers of their mobile phones and pagers that will compete with applications using the Company's products and services.

OSPs include companies such as America Online, Inc. ("America Online"), Microsoft's Microsoft Network ("MSN"), Prodigy, Inc. ("Prodigy"), @ Home Network ("@Home") and WebTV Networks, Inc. ("WebTV") (acquired by Microsoft) that provide text-based content, such as news and sports, over the Internet and on proprietary online services. The potential exists for these companies to implement applications that overlap with the functionality provided by the Company.

Providers of event notification systems include companies such as TIBCO Finance Technology Inc. ("TIBCO"), which markets a product that monitors stock tickers and notifies subscribers when preset thresholds are crossed; Clarify Inc. ("Clarify"), which handles loan applications with a financial system developed by SAP AG; BEA Systems, Inc. ("BEA Systems"), which provides middleware; and Vitria Technology Inc. ("Vitria Technology") which provides event-based workflow software. The systems for event-driven notification provided by these companies at present and in the future may result in technology that overlaps with that provided by the Company.

The Company believes that it differentiates itself from other industry participants by offering comprehensive support for all significant relational database platforms. If a single vendor wins a substantial share of the relational database market, the Company may find it more difficult to differentiate its offerings from its competitors, which may materially adversely affect the Company's business, operating results and financial condition.

Many of the Company's competitors have longer operating histories, significantly greater financial, technical, marketing or other resources, or greater name recognition than the Company. In addition, many of the Company's competitors have well established relationships with current and potential customers and extensive knowledge of the data warehouse industry. As a result, these competitors may be able to respond more quickly to new or emerging technologies and changes in customer requirements, or to devote greater

resources to the development, promotion and sale of their products, than can the Company. Increased competition may result in price reductions, reduced gross margins and loss of market share. There can be no assurance that the Company will be able to compete successfully against current and future competitors or that competitive pressures faced by the Company will not materially adversely affect its business, operating results and financial condition.

Current and potential competitors may make strategic acquisitions or establish cooperative relationships among themselves or with third parties, thereby increasing their ability to address the needs of the Company's prospective customers. The Company's current or future indirect channel partners may establish cooperative relationships with current or potential competitors of the Company, thereby limiting the Company's ability to sell its products through particular distribution channels. Accordingly, it is possible that new competitors or alliances among current and new competitors may emerge and rapidly gain significant market share. Such competition could have a material adverse effect on the Company's margins and its ability to obtain maintenance revenues for new and existing product licenses on favorable terms.

#### MANAGEMENT OF GROWTH

The Company is experiencing rapid expansion in all areas of its operations, and the Company anticipates that this expansion will continue. The total number of Company employees grew from 59 on January 1, 1995 to 841 on September 30, 1998, and further significant increases in the number of employees are anticipated. The Company's growth has placed, and is expected to continue to place, significant demands on its administrative, operational, financial, and personnel resources. In particular, the Company expects that current and planned expansion of international operations will lead to increased financial and administrative demands, such as increased operational complexity associated with expanded facilities, administrative burdens associated with managing an increasing number of relationships with foreign partners, and expanded treasury functions to manage foreign currency risks. The Company may also be required to expand its support organization significantly to further develop indirect distribution channels that penetrate different and broader markets and to accommodate growth in the Company's installed customer base. The failure of the Company to manage its expansion effectively could have a material adverse effect on the Company's business, operating results and financial condition.

#### NEED TO RECRUIT ADDITIONAL SKILLED PERSONNEL; DEPENDENCE ON KEY PERSONNEL

The Company's future success depends upon its continuing ability to attract, train, assimilate and retain highly qualified personnel. Competition for such personnel in the software industry is intense, and there can be no assurance that the Company will be able to retain its key employees or that it can attract, train, assimilate or retain other highly qualified personnel in the future. The Company's success also depends in large part on the continued service of its key management personnel, particularly Michael J. Saylor, the Company's President and Chief Executive Officer, and Sanju K. Bansal, the Company's Executive Vice President and Chief Operating Officer. The loss of the services of one or more of these individuals or other key personnel could have a material adverse effect on the Company's business, operating results and financial condition.

#### DEPENDENCE ON NEW VERSIONS, NEW PRODUCTS AND RAPID TECHNOLOGICAL CHANGE

The market for the Company's products is characterized by rapid technological change, frequent new product introductions and enhancements, uncertain product life cycles, changing customer demands and evolving industry standards. The introduction of products embodying new technologies and the emergence of new industry standards can render existing products obsolete and unmarketable. Emergence of new standards in related fields may also

have an adverse effect on existing products. This could be the case, for example, if new Web protocols were to emerge that were incompatible with deployment of the Company's DSS applications over the Web. Although the Company's DSS solutions allow the core database component to reside on nearly all enterprise server hardware and operating system combinations (Mainframe, AS/400, Unix, Windows NT, Windows), the Company's application server component currently runs only on the Windows NT operating system. Therefore, the Company's ability to increase sales of its products may depend on the continued acceptance of the Windows NT operating system. To the extent that potential customers use

Unix operating systems as their application server, the Company would be precluded from addressing that segment of the DSS application market. The development of a Unix product would require a substantial investment of resources by the Company and there is no assurance that such a product could be introduced on a timely or cost effective basis or at all.

The Company believes that its future success will depend in large part on its ability to continue to support a number of popular operating systems and databases, and on its ability to maintain and improve its current product line and to develop new products on a timely basis that achieve market acceptance, maintain technological competitiveness and meet an expanding range of customer requirements. As a result of the complexities inherent in DSS applications, major new products and product enhancements can require long development and testing periods. In addition, customers may delay their purchasing decisions in anticipation of the general availability of new or enhanced versions of the Company's products. Moreover, to date the Company has had only a limited number of customers who have deployed its products in environments that involve terabytes of data and thousands of active users, and widespread deployment in these complex environments may create unexpected delays or other difficulties. As a result, significant delays in the general availability of such new releases or significant problems in the installation or implementation of such new releases could have a material adverse effect on the Company's business, operating results and financial condition. There can be no assurance that the Company will be successful in developing and marketing, on a timely and cost effective basis, product enhancements or new products that respond to technological change, evolving industry standards or customer requirements, that the Company will not experience difficulties that could delay or prevent the successful development, introduction or marketing of these enhancements or that the Company's new products and product enhancements will achieve market acceptance.

#### DEPENDENCE ON GROWTH OF MARKET FOR DECISION SUPPORT SOFTWARE

All of the Company's revenues have been attributable to the sale of decision support software and related maintenance, consulting and training services, and such software and services are expected to account for the Company's revenues for the foreseeable future. Although demand for decision support software has grown in recent years, the market for decision support software applications is still emerging. Further development of the market may be impaired by, among other factors, resistance from consumer and privacy groups to increased commercial collection and use of data regarding spending and other personal behavior patterns. There can be no assurance that the market will continue to grow or that, even if the market does grow, businesses will adopt the Company's solutions. The Company has spent, and intends to continue to spend, considerable resources educating potential customers about decision support software generally and the Company's solutions in particular. However, there can be no assurance that such expenditures will enable the Company's products to achieve any additional degree of market acceptance and, if the market fails to grow or grows more slowly than the Company currently anticipates, the Company's business, operating results and financial condition would be materially adversely affected.

#### YEAR 2000

The "Year 2000 Issue" refers generally to the problems that some software may have in determining the correct century for the year. The problem began 40 years ago when hardware was expensive and storage space was at a premium. To save space and money, dates were stored in a two-digit format (i.e. November 10, 1984 was stored as 11/10/84). The problem with storing dates in a two-digit format is that computer systems may not be able to determine which century the date falls in and as a result, may not function or may give incorrect results.

The Company has developed a Year 2000 readiness plan for the current versions of its products. The plan includes development of corporate awareness, assessment, implementation, validation testing and contingency

planning. The Company has largely completed all phases of its plan, except for contingency planning, with respect to the current versions of all of its products. The Company's total cost relating to these activities has not been and is not expected to be material to the Company's financial position, results of operations, or cash flows.

As a result of the Year 2000 readiness plan, the current versions of most of its products are "Year 2000 Compliant," as defined below, when configured and used in accordance with the related documentation, and provided that the underlying operating system of the host machine and any other software used with or in the host machine or MicroStrategy products are also Year 2000 Compliant. The Company has not yet determined whether certain third-party software incorporated in one of the Company's products is Year 2000 Compliant. Although the Company is not currently aware of any material issues with such third-party software products related to the Year 2000, the Company may experience material unanticipated problems and costs caused by undetected errors or defects in the third-party software.

The Company has defined "Year 2000 Compliant" in conformity with that developed by the British Standards Institute. In order to be Year 2000 compliant, each of the following four conditions must be satisfied:

- (i) No value for current date will cause any interruption in operation;
- (ii) Date-based functionality must behave consistently for dates prior to, during, and after year 2000;
- (iii) In all interfaces and data storage, the century in any date must be specified either explicitly or by unambiguous algorithms or inferencing rules; and
- (iv) Year 2000 must be recognized as a leap year.

Although MicroStrategy has done extensive testing on its software, the Company has also identified four potential problem areas:

- (i) MicroStrategy has not specifically assured the compliance of all third-party software incorporated into its software;
- (ii) Some of MicroStrategy's customers may be using a version of our software that is not Year 2000 Compliant (although we have made an effort to make sure that all our customers are using Year 2000 Compliant versions of the Company's software, we can not be certain that they have installed the most recent versions of our software);
- (iii) Not all platforms or versions of the operating systems that the Company currently supports are Year 2000 Compliant; and
- (iv) Certain customers have elected to operate systems in a two-digit year date environment.

The Company does not currently have any information concerning the Year 2000 compliance status of its customers. As is the case with other similarly situated software companies, if the Company's current or future customers fail to achieve Year 2000 compliance or if they divert technology expenditures (especially technology expenditures that were reserved for enterprise decision support software) to address Year 2000 compliance problems, the Company's business, results of operations, or financial condition could be materially adversely affected.

The Company's internal systems include both its information technology ("IT") and non-IT systems. The Company plans to initiate an assessment of its material internal IT systems (including both the Company's own software products and third-party software and hardware technology) and its non-IT systems (such as its security system, building equipment, and embedded microcontrollers). The Company expects to start that testing in the first quarter of 1999. The Company intends to implement any required changes in the second and third quarters of 1999 and to conduct additional testing in the fourth quarter of 1999. To the extent that the Company is not able to test the technology provided by third-party vendors, the Company is seeking assurances from such vendors that their systems are Year 2000 compliant. Although the Company is not currently aware of any material operational

issues or costs associated with preparing its internal IT and non-IT systems for the Year 2000, the Company may experience material unanticipated problems and costs caused by undetected errors or defects in the technology used in its internal IT and non-IT systems.

MicroStrategy has funded its Year 2000 compliance activities from cash flows and has not allocated additional funds in the past to the Year 2000 effort associated with either our software or internal systems. During 1999, the Company intends to spend an estimated \$100,000 on preparing its internal systems for the Year 2000. The Company does not plan to utilize extensive outside assistance in the completion of its internal Year 2000 effort.

The Company is beginning the process of developing a contingency plan for handling the unlikely circumstance that the Company is unable to achieve Year 2000 compliance status by the Year 2000. The Company is not certain that all non-critical systems will be Year 2000 compliant, but believes that failure of such systems would not have a material adverse effect on the Company's business, financial condition or results of operations.

As the Company is in the business of selling software products, the Company's risk of being subjected to lawsuits relating to Year 2000 issues with its software products is likely to be greater than that of companies in other industries. Because computer systems may incorporate components from different manufacturers, it may be difficult to determine which component in a computer system may cause a Year 2000 issue. As a result, the Company may be subjected to Year 2000-related lawsuits independent of whether its products and services are Year 2000 compliant. The outcomes of any such lawsuits and the impact on the Company cannot be determined at this time.

#### EURO CONVERSION

On January 1, 1999, eleven of the fifteen member countries of the European Union are scheduled to establish fixed conversion rates between their existing sovereign currencies and the euro. The participating countries have agreed to adopt the euro as their common legal currency on that date. The Company has formed a task force and has begun to assess the potential impact to the Company that may result from the euro conversion. In addition to tax and accounting considerations, the Company is assessing the potential impact from the euro conversion in a number of areas, including the following: (1) the technical challenges to adapt information technology and other systems to accommodate euro-denominated transactions; (2) the competitive impact of cross-border price transparency, which may make it more difficult for businesses to charge different prices for the same products on a country-by-country basis; (3) the impact on currency exchange costs and currency exchange rate risk; and (4) the impact on existing contracts. At this early state of its assessment, the Company can not yet predict the anticipated impact of the euro conversion on the Company.

#### CONTROL BY MAJORITY STOCKHOLDER; ANTI-TAKEOVER EFFECT OF DUAL CLASSES OF COMMON STOCK

Holders of the Company's Class A Common Stock are entitled to one vote per share and holders of the Company's Class B Common Stock are entitled to ten votes per share. As of September 30, 1998, the Company's Class B Common Stock shareholders owned or controlled 30,735,514 shares of Class B Common Stock representing 98.5% of the voting power of the Company. Michael J. Saylor, the Company's Chairman, President and Chief Executive Officer, through his sole ownership and control of Alcantara LLC, controls 22,574,662 shares of Class B Common Stock representing 72.3% of the voting power of the Company. Accordingly, Mr. Saylor is able to control the Company through his ability to determine the outcome of elections of the Company's directors, amend the Company's Certificate of Incorporation and Bylaws and take certain other actions requiring the vote or consent of stockholders, including mergers, going private transactions and other extraordinary transactions and the terms thereof.

The Company's Certificate of Incorporation permits holders of Class B Common Stock to transfer shares of Class B Common Stock, subject to approval of the holders of a majority of the outstanding Class B Common Stock. Mr. Saylor or a group of stockholders possessing a majority of the outstanding Class B Common Stock could, without seeking other approval, transfer voting control of the Company to a third party. Transfer of voting control

to such a transferee could have a material adverse effect on the Company's business prospects and financial condition. Mr. Saylor will also be able to prevent a change of control of the Company, regardless of whether holders of Class A Common Stock might otherwise receive a premium for their shares over the then-current market price.

## RISKS ASSOCIATED WITH INTELLECTUAL PROPERTY

The Company regards its software products as proprietary and relies primarily on a combination of statutory and common law copyright, trademark and trade secret laws, customer licensing agreements, employee and third-party nondisclosure agreements and other methods to protect its proprietary rights. These laws and contractual provisions provide only limited protection of the Company's proprietary rights. The Company has no patents or patent applications pending and has no registered trademarks (other than MicroStrategy and QuickStrike) or registered copyrights (other than the EIS Toolkit 2.0 reference manual). Despite the Company's efforts to protect its proprietary rights, it may be possible for a third party to copy or otherwise obtain and use the Company's technology without authorization or to develop similar technology independently. Furthermore, the laws of certain countries in which the Company sells its products do not protect the Company's software and intellectual property rights to the same extent as do the laws of the United States. If unauthorized copying or misuse of the Company's products were to occur to any substantial degree, the Company's business, results of operations and financial condition could be materially adversely affected. There can be no assurance that the Company's means of protecting its proprietary rights will be adequate or that the Company's competitors will not independently develop similar technology.

There can be no assurance in the future that a third party will not claim that the Company's technology infringes its proprietary rights. As the number of software products in the Company's target market increases and the functionality of these products further overlap, the Company believes that software developers may become increasingly subject to infringement claims. Any such claims, whether with or without merit, can be time consuming and expensive to defend. There can be no assurance that third parties will not assert infringement claims against the Company in the future with respect to its current or future products or that any such assertion will not require the Company to enter into royalty arrangements or litigation that could be costly to the Company.

## INTERNATIONAL OPERATIONS

International sales accounted for 24.9%, 26.6%, 11.1%, and 11.3% of the Company's total revenue for the Nine months ended September 30, 1998 and for the fiscal years ended December 31, 1997, 1996 and 1995, respectively. The Company intends to continue to expand its international operations and enter additional international markets. Such expansion will require significant management attention and financial resources and could adversely affect the Company's business, operating results or financial condition. In order to expand international sales successfully in 1998 and subsequent periods, the Company must establish additional foreign operations, hire additional personnel and recruit additional international resellers and distributors. There can be no assurance that the Company will be able to do so in a timely manner, which may limit the Company's growth in international sales. In addition, there can be no assurance that the Company will be able to maintain or increase international market demand for the Company's products. In addition to the foreign currency risks described below, other risks inherent in the Company's international business activities generally include unexpected changes in regulatory requirements, tariffs and other trade barriers, costs of localizing products for foreign countries, lack of acceptance of localized products in foreign countries, longer accounts receivable payment cycles, difficulties in managing international operations, potentially adverse tax consequences including restrictions on the repatriation of earnings, weaker intellectual property protection and the burden of complying with a wide variety of foreign laws. Such factors may have a material adverse effect on the Company's future international sales and, consequently, the Company's results of operations.

## SHARES ELIGIBLE FOR FUTURE SALE

Future sales of Class A Common Stock could adversely affect the market price of the Class A Common Stock. Several of the Company's principal stockholders hold a significant portion of the outstanding Class B Common Stock, and a decision by one or more of these stockholders to convert such shares into Class A Common Stock (which conversion may take place at any time) and sell their shares could adversely affect the market price of the Class A Common Stock. The holders of all the shares of Class B Common Stock (which may be converted into Class A Common Stock at any time) have entered into agreements with the underwriters of the Company's initial public offering (the "Lock-up

Agreements") which will provide that, until December 9, 1998, they will not offer, sell, contract to sell or otherwise dispose of any shares of Class A Common Stock or securities of the Company which are substantially similar to the shares of Class A Common Stock or which are convertible into or exchangeable for, or represent the right to receive, shares of Class A Common Stock without the prior written consent of the representatives of the underwriters. Upon the expiration of the Lock-up Agreements, a substantial majority of the shares covered by the Lock-up Agreements will be eligible for sale pursuant to Rule 144.

The Company filed a Registration Statement on Form S-8 in September 1998 registering the 8,000,000, 300,000, 200,000 and 400,000 shares of Class A Common Stock that are issuable upon the exercise of stock options either outstanding or available for grant pursuant to the Company's Amended and Restated 1996 Stock Plan ("1996 Stock Plan"), 1997 Stock Option Plan for French Employees ("French Plan"), 1997 Director Option Plan ("Director Option Plan") and the 1998 Employee Stock Purchase Plan (the "Purchase Plan" and together with the 1996 Stock Plan, the French Plan and the Director Option Plan, the "Company Stock Plans"), respectively. Consistent with the terms of the Company Stock Plans, holders of options will be unable to sell any shares of Class A Common Stock received upon the exercise of options granted thereunder until December 9, 1998, and no shares will be acquired under the Purchase Plan prior to January 31, 1999. Options granted under the 1997 Director Option Plan do not generally begin to vest until October 1998.

23

## PART II. OTHER INFORMATION

### Item 1. Legal Proceedings

None

### Item 2. Changes in Securities and Use of Proceeds S-K 701(f)

The Company sold 4,440,000 shares of its Class A Common Stock, \$.001 par value, on June 16, 1998 pursuant to a Registration Statement on Form S-1 (Registration No. 333-49899), which was declared effective by the Securities Exchange Commission on June 10, 1998 (the "Effective Date"). Certain stockholders of the Company sold an aggregate of 160,000 shares of Class A Common Stock pursuant to such registration statement. The managing underwriters of the offering were Merrill Lynch & Co., Hambrecht & Quist, and Friedman, Billings, Ramsey & Co., Inc. The aggregate gross proceeds raised in the offering from the sale of Class A Common Stock by the Company and the selling stockholders were \$53.3 million and \$1.9 million, respectively. The Company's total expenses in connection with the offering were approximately \$4.6 million, of which \$3.7 million was for underwriting discounts and commissions and, based on the Company's reasonable estimate, approximately \$0.9 million was for other expenses. The Company's net proceeds from the offering were approximately \$48.7 million. From the Effective Date through November 14, 1998, the Company used \$13.6 million of such net proceeds to repay all net borrowings under the Business Loan. In addition, the Company used \$5.0 million of such net proceeds to repay a portion of the borrowings under the Company's \$10.0 Dividend Notes which were issued to certain shareholders of the Company prior to the consummation of the offering. Approximately \$4.8 million of the \$5 million dividend payment was paid to certain officers, directors and 10% shareholders of the Company. As of November 14, 1998 the Company had approximately \$24.6 million of proceeds remaining from the Offering, and pending use of the proceeds, the Company intends to invest such proceeds primarily in investment-grade, interest-bearing instruments.

### Item 3. Defaults upon Senior Securities

None

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

None

### Item 5. Other Information

None

### Item 6. A. Exhibits

- 3.1 Form of Amended and Restated Certificate of Incorporation of the Company.
- 3.2 Form of Restated Bylaws of the Company.
- 4.1 Form of Certificate of Class A Common Stock of the Company.
- 10.1 Amended and Restated 1996 Stock Option Plan of the Company.
- 10.2 Lease Agreement between Prentiss Properties Acquisition Partners, L.P. and the Company dated August 14, 1998.
- 27 Financial Data Schedule

B. Reports on Form 8-K

None

All other items are omitted because they are not applicable or the answers are none.

24

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, THEREUNTO DULY AUTHORIZED.

MicroStrategy Incorporated

By /s/ Michael J. Saylor

-----  
 Michael J. Saylor  
 Chief Executive Officer and President

By /s/ Mark S. Lynch

-----  
 Mark S. Lynch  
 Chief Financial Officer

Date: November 16, 1998

25

INDEX TO EXHIBITS

| EXHIBIT<br>NUMBER<br>----- | DESCRIPTION<br>-----  |                |
|----------------------------|---|----------------|
| 3.1                        | Form of Amended and Restated Certificate of Incorporation of the Company.                                     | *              |
| 3.2                        | Form of Restated Bylaws of the Company.   | *              |
| 4.1                        | Form of Certificate of Class A Common Stock of the Company.   | *              |
| 10.1                       | Amended and Restated 1996 Stock Option Plan of the Company.   | Filed Herewith |
| 10.2                       | Lease Agreement between Prentiss Properties Acquisition Partners, L.P. and the Company dated August 14, 1998. | Filed Herewith |
| 27                         | Financial Data Schedule.  | Filed Herewith |

\* Filed with the Company's Registration Statement on Form S-1 (Registration No. 333-49899), and incorporated herein by reference.

26



MICROSTRATEGY INCORPORATED

AMENDED AND RESTATED 1996 STOCK PLAN

1. Purpose of the Plan. The purpose of the MicroStrategy Incorporated

-----  
(the "Company") Amended and Restated 1996 Stock Plan is to enable the Company to provide an incentive to eligible employees, consultants and officers whose present and potential contributions are important to the continued success of the Company, to afford these individuals the opportunity to acquire a proprietary interest in the Company, and to enable the Company to enlist and retain in its employment the best available talent for the successful conduct of its business.

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

-----  
(a) "Administrator" means the Board, such of its Committees or such

-----  
other persons to which the Board may delegate its authority as shall be administering the Plan in accordance with Section 5 of the Plan.

(b) "Applicable Laws" means the legal requirements relating to the

-----  
administration of stock option plans under applicable securities and corporate laws and the Code.

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

-----

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

-----

(e) "Committee" means a Committee of the Board or a Committee of

-----  
Officers, if any, appointed by the Board in accordance with Section 5 of the Plan.

(f) "Common Stock" means the Class A Common Stock of the Company.

-----

(g) "Company" means MicroStrategy Incorporated, a Delaware

-----  
corporation.

(h) "Consultant" means (i) any person, including an advisor, engaged

-----  
by the Company or a Parent or Subsidiary to render services and who is compensated for such services, (ii) any Director who is not an employee of the Company, but who is paid only a director's fee by the Company or (iii) any Director who is not compensated by the Company for his/her services as a Director.

(i) "Continuous Status as an Employee or Consultant" means that the

-----  
employment or consulting relationship of a person with the Company, any Parent or Subsidiary, or where applicable, any entity affiliated with the Company, is not interrupted or terminated. Continuous Status as an Employee or Consultant shall not be considered interrupted in the case of any leave of absence permitted pursuant to any Company policies or approved by the Board, including sick leave, military leave, or any other personal leave, or transfers between locations of the Company or between the Company, its Parent, its Subsidiaries, or where applicable, affiliated

or successor entities. For purposes of Incentive Stock Options, in the event any such authorized or permitted leave exceeds ninety (90) days, the Option shall be deemed a Nonstatutory Stock Option, unless reemployment upon the expiration of such leave is guaranteed by contract (including certain Company policies), statute or applicable regulation.

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

-----

(k) "Disability" means total and permanent disability as defined in  
-----  
Section 22(e)(3) of the Code.

(l) "Employee" means any person, including Officers and Directors,  
-----  
employed by the Company or any Parent, Subsidiary or where applicable, entities  
affiliated with the Company. Neither service as a Director nor mere payment of  
a director's fee by the Company shall be sufficient to constitute "employment"  
by the Company.

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

(n) "Fair Market Value" means, as of any date, the value of Common  
-----  
Stock determined as follows:

(i) If the Common Stock is listed on any established stock  
exchange or a national market system, including without limitation the National  
Market System of the National Association of Securities Dealers, Inc. Automated  
Quotation ("NASDAQ") System, the Fair Market Value of a Share of Common Stock  
shall be the closing sales price for such stock (or the closing bid, if no sales  
were reported) as quoted on such system or exchange (or the exchange with the  
greatest volume of trading in Common Stock) on the last market trading day prior  
to the day of determination, as reported in The Wall Street Journal or such  
other source as the Administrator deems reliable;

(ii) If the Common Stock is quoted on the NASDAQ System (but  
not on the National Market System thereof) or is regularly quoted by a  
recognized securities dealer but selling prices are not reported, the Fair  
Market Value of a Share of Common Stock shall be the mean between the high bid  
and low asked prices for the Common Stock on the last market trading day prior  
to the day of determination, as reported in The Wall Street Journal or such  
other source as the Administrator deems reliable;

(iii) In the absence of an established market for the Common  
Stock, the Fair Market Value shall be determined in good faith by the  
Administrator.

(o) "Incentive Stock Option" means an Option intended to qualify as  
-----  
an incentive stock option within the meaning of Section 422 of the Code and the  
regulations promulgated thereunder.

-2-

(p) "Nonstatutory Stock Option" means any Option that is not an  
-----  
Incentive Stock Option.

(q) "Notice of Grant" means a written notice evidencing certain terms  
-----  
and conditions of an individual Option grant. The Notice of Grant is part of  
the Option Agreement.

(r) "Officer" means a person who is an officer of the Company within  
-----  
the meaning of Section 16 of the Exchange Act and the rules and regulations  
promulgated thereunder.

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

(t) "Option Agreement" means a written agreement between the Company  
-----  
and an Optionee evidencing the terms and conditions of an individual Option  
grant. The Option Agreement is subject to the terms and conditions of the Plan.

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

(v) "Optionee" means an Employee or Consultant who holds an  
-----  
outstanding Option.

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

(x) "Plan" means this 1996 Stock Plan.  
-----

(y) "Rule 16b-3" means Rule 16b-3 of the Exchange Act or any  
-----  
successor rule thereto, as in effect when discretion (as defined therein) is  
being exercised with respect to the Plan.

(z) "Share" means a share of the Common Stock, as adjusted in  
-----  
accordance with Section 9 of the Plan.

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

(bb) "Vested" shall mean that portion of an Option that is  
-----  
exercisable.

3. Eligibility. Nonstatutory Stock Options may be granted to either  
-----  
Employees or Consultants. Incentive Stock Options may be granted only to  
Employees. If otherwise eligible, an Employee or Consultant who has been  
granted an Option may be granted additional Options.

4. Stock Subject to the Plan. Subject to the provisions of Section 11 of  
-----  
the Plan, the total number of Shares reserved and available for distribution  
under the Plan is eight million

-3-

(8,000,000) Shares, subject to subsequent adjustment for any stock split,  
reverse stock split, stock dividend combination or reclassification of the  
Shares or any other increase or decrease in the number of issued Shares effected  
without receipt of additional consideration by the Company. Subject to Section  
11 of the Plan, if any Shares that have been optioned under an Option cease to  
be subject to such Option (other than through exercise of the Option), or if any  
Option granted hereunder is forfeited prior to the issuance of Common Stock to  
the participant, the shares that were subject to such Option shall again be  
available for distribution in connection with future Option grants under the  
Plan; provided, however, that Shares that have actually been issued under the  
-----

Plan shall not in any event be returned to the Plan and shall not become  
available for future distribution under the Plan.

5. Administration.  
-----

(a) Composition of Administrator.  
-----

(i) Multiple Administrative Bodies. If permitted by Rule  
-----  
16b-3 and Applicable Laws, the Plan may (but need not) be administered by  
different administrative bodies with respect to (A) Directors who are employees,  
(B) Officers who are not Directors and (C) Employees who are neither Directors  
nor Officers.

(ii) Administration with respect to Directors and Officers.  
-----

With respect to grants of Options to eligible participants who are Officers or  
Directors of the Company, the Plan shall be administered by (A) the Board, if  
the Board may administer the Plan in compliance with Rule 16b-3 as it applies to

a plan intended to qualify thereunder as a discretionary grant, or (B) a Committee designated by the Board to administer the Plan, which Committee shall be constituted (1) in such a manner as to permit the Plan to comply with Rule 16b-3 as it applies to a plan intended to qualify thereunder as a discretionary grant or award plan and (2) in such a manner as to satisfy the Applicable Laws.

(iii) Administration with respect to Other Persons. With  
-----

respect to grants of Options to eligible participants who are neither Directors nor Officers of the Company, the Plan shall be administered by (A) the Board, (B) a Committee designated by the Board, which Committee shall be constituted in such a manner as to satisfy the Applicable Laws or (C) to the extent permitted by Applicable Laws, one or more Officers or a Committee of Officers of the Company designated by the Board, to which the Board may delegate the power to grant Options and exercise such other powers under the Plan as the Board may determine, provided that the Board shall fix the maximum number of shares subject to Options that may be granted by such Officer(s) or committee of Officers and the maximum number of shares for any one Optionee that may be granted by such Officer(s) or committee of Officers.

(iv) General. Once a Committee or an Officer(s) has been  
-----

appointed pursuant to subsection (ii) or (iii) of this Section 5(a), such Committee or Officer(s) shall continue to serve in its or their designated capacity until otherwise directed by the Board. From time to time the Board may increase the size of any Committee or group or Committee of

-4-

Officers to which the Board has delegated its authority, and appoint additional members thereof, remove members (with or without cause) and appoint new members in substitution therefor, fill vacancies (however caused) and remove all members of a Committee or group or Committee of Officers to which the Board has delegated its authority and thereafter directly administer the Plan, all to the extent permitted by the Applicable Laws and, in the case of a Committee of the Board appointed under subsection (ii), to the extent permitted by Rule 16b-3 as it applies to a plan intended to qualify thereunder as a discretionary grant plan.

(b) Powers of the Administrator. Subject to the provisions of the  
-----

Plan, and in the case of a Committee or Officer(s), subject to the specific duties delegated by the Board to such Committee or Officer(s), the Administrator shall have the authority, in its discretion:

(i) to determine the Fair Market Value of the Common Stock, in accordance with Section 2(n) of the Plan;

(ii) to select the Consultants and Employees to whom Options may be granted hereunder;

(iii) to determine whether and to what extent Options or any combination thereof, are granted hereunder;

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

(v) to approve forms of agreement for use under the Plan (which need not be identical);

(vi) to determine the terms and conditions, not inconsistent with the terms of the Plan, of any award granted hereunder. Such terms and conditions include, but are not limited to, the exercise price, the time or times when Options may Vest (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 Administrator, in its sole discretion, shall determine;

(vii) to construe and interpret the terms of the Plan;

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

(ix) to determine whether and under what circumstances an Option may be settled in cash instead of Common Stock or Common Stock instead of cash;

(x) to reduce the exercise price of any Option;

-5-

(xi) to modify or amend each Option (subject to Section 11 of the Plan);

(xii) 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 Administrator;

(xiii) to institute a program whereby outstanding options are surrendered in exchange for options with a lower exercise price;

(xiv) to determine the terms and restrictions applicable to Options; and

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

(c) Effect of Administrator's Decision. The Administrator's

-----  
decisions, determinations and interpretations shall be final and binding on all Optionees and any other holders of Options.

6. Duration of the Plan. The Plan shall remain in effect until

-----  
terminated by the Board under the terms of the Plan, provided that in no event may Incentive Stock Options be granted under the Plan later than 10 years from the date the Plan was adopted by the Board.

7. Options.

-----  
(a) Options. The Administrator, in its discretion, may grant Options

-----  
to eligible participants and shall determine whether such Options shall be Incentive Stock Options or Nonstatutory Stock Options. Each Option shall be evidenced by a Notice of Grant which shall expressly identify the Options as Incentive Stock Options or as Nonstatutory Stock Options, and be in such form and contain such provisions as the Administrator shall from time to time deem appropriate. Without limiting the foregoing, the Administrator may at any time authorize the Company, with the consent of the respective recipients, to issue new Options in exchange for the surrender and cancellation of outstanding Options. Option agreements shall contain the following terms and conditions:

(i) Exercise Price; Number of Shares. The per Share

-----  
exercise price for the Shares issuable pursuant to an Option shall be such price as is determined by the Administrator; provided, however, that in the case of an

-----  
Incentive Stock Option, the price shall be no less than 100% of the Fair Market Value of the Common Stock on the date the Option is granted, subject to any additional conditions set out in Section 7(a)(iv) below.

The Notice of Grant shall specify the number of Shares to which it pertains.

-6-

(ii) Waiting Period and Exercise Dates. At the time an

-----  
Option is granted, the Administrator will determine the terms and conditions to be satisfied before Shares shall be Vested. The Administrator may specify that an Option may not Vest until the completion of one or more service periods specified at the time of grant or the occurrence of any other triggering event that the Administrator, in its sole discretion, may impose at the time of grant. (Any such period is referred to herein as the "waiting period.") At the time an Option is granted, the Administrator shall fix the period within which the

Option shall be Vested, which shall not be earlier than the end of the waiting period, if any, nor, in the case of an Incentive Stock Option, later than ten (10) years from the date of grant.

(iii) Form of Payment. The consideration to be paid for the  
-----

Shares to be issued upon exercise of an Option, including the method of payment, shall be determined by the Administrator (and, in the case of an Incentive Stock Option, shall be determined at the time of grant) and may consist entirely of:

(A) cash;

(B) check;

(C) other Shares which (1) in the case of Shares acquired upon exercise of an option, have been owned by the Optionee for more than six months on the date of surrender, and (2) have a Fair Market Value on the date of surrender not greater than the aggregate exercise price of the Shares as to which said Option shall be exercised;

(D) delivery of a properly executed exercise notice together with such other documentation as the Administrator 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;

(E) any combination of the foregoing methods of payment;  
or

(F) such other consideration and method of payment for the issuance of Shares to the extent permitted by Applicable Laws.

(iv) Special Incentive Stock Option Provisions. In addition  
-----

to the foregoing, Options granted under the Plan which are intended to be Incentive Stock Options under Section 422 of the Code shall be subject to the following terms and conditions:

(A) Dollar Limitation. To the extent that the aggregate  
-----  
Fair Market Value of (I) the Shares with respect to which Options designated as Incentive Stock Options plus (II) the shares of stock of the Company, Parent and any Subsidiary with respect to which other incentive stock options are exercisable for the first time by an Optionee during any calendar year under all plans of the Company and any Parent and Subsidiary exceeds \$100,000, such Options shall be treated as Nonstatutory Stock Options. For purposes of the preceding

-7-

sentence, (I) Options shall be taken into account in the order in which they were granted, and (II) the Fair Market Value of the Shares shall be determined as of the time the Option or other incentive stock option is granted.

(B) 10% Stockholder. If any Optionee to whom an  
-----

Incentive Stock Option is to be granted pursuant to the provisions of the Plan is, on the date of grant, the owner of Common Stock (as determined under Section 424(d) of the Code) possessing more than 10% of the total combined voting power of all classes of stock of the Company or any Parent or Subsidiary of the Company, then the following special provisions shall be applicable to the Option granted to such individual:

(I) The per Share Option price of Shares subject to such Incentive Stock Option shall not be less than 110% of the Fair Market Value of Common Stock on the date of grant; and

(II) The Option shall not have a term in excess of five (5) years from the date of grant.

Except as modified by the preceding provisions of this subsection 7(a)(iv) and except as otherwise limited by Section 422 of the Code, all of the provisions of the Plan shall be applicable to the Incentive Stock Options granted hereunder.

(v) Other Provisions. Each Option granted under the Plan may

-----  
contain such other terms, provisions, and conditions not inconsistent with the Plan as may be determined by the Administrator.

(vi) Buyout Provisions. The Administrator may at any time  
-----

offer to purchase for a payment in cash, promissory note or Shares, an Option previously granted, based on such terms and conditions as the Administrator shall establish and communicate to the Optionee at the time that such offer is made.

(b) Method of Exercise.  
-----

(i) Procedure for Exercise; Rights as a Stockholder. Any  
-----

Option granted hereunder shall be exercisable only if it is Vested and only at  
---  
such times and under such conditions as determined by the Administrator and as shall be permissible under the terms of the Plan and the Option Agreement.

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, as authorized by the

-8-

Administrator (and, in the case of an Incentive Stock Option, determined at the time of grant) and permitted by the Option Agreement, consist of any consideration and method of payment allowable under subsection 7(a)(iii) of the Plan. Until the issuance (as evidenced by the appropriate entry on the books of the Company or of a duly authorized transfer agent of the Company) of the stock certificate evidencing such Shares, 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. No adjustment will be made for a dividend or other similar right for which the record date is after the date when such written notice of exercise is delivered to the Company but prior to the date the stock certificate is 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 shall 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.

(ii) Rule 16b-3. Options granted to individuals subject to  
-----

Section 16 of the Exchange Act ("Insiders") must comply with the applicable provisions of Rule 16b-3 and shall contain such additional conditions or restrictions as may be required thereunder to qualify for the maximum exemption from Section 16 of the Exchange Act with respect to Plan transactions.

(iii) Termination of Employment or Consulting Relationship.  
-----

If an Optionee's Continuous Status as an Employee or Consultant terminates, then except as provided in Section 7(b)(iv) or (v) below, the Optionee may exercise his or her Option, but only within such period of time as is determined by the Administrator at the time of grant, not to exceed the period set forth in the applicable Option Agreement and only to the extent that the Option was Vested at the date of such termination. In no event may an Optionee exercise an Option later than the expiration of the term of such Option. To the extent that the Option was not Vested at 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.

(iv) Disability of Optionee. If an Optionee's Continuous  
-----

Status as an Employee or Consultant terminates as a result of the Optionee's Disability, the Optionee may exercise his or her Option, but only within twelve (12) months from the date of such termination, and only to the extent that the

Option was Vested at the date Optionee was first deemed disabled. In no event may an Optionee exercise an Option later than the expiration of the term of such Option. If such disability is not a "disability" as such term is defined in Section 22(e)(3) of the Code, then, in the case of an Incentive Stock Option, such Incentive Stock Option shall automatically cease to be treated as an Incentive Stock Option and shall be treated as a Nonstatutory Stock Option on the day three months and one day following such termination. To the extent that the Option was not Vested at 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.

-9-

(v) Death of Optionee. In the event of an Optionee's death,

-----  
the Optionee's estate or a person who acquired the right to exercise the deceased Optionee's Option by bequest or inheritance may exercise the Option, but only within twelve (12) months following the date of death, and only to the extent that the Option was Vested at the date of death. In no event may the Optionee's estate or a person who acquired the right to exercise such Option exercise an Option later than the expiration of the term of such Option. To the extent that the Option was not Vested at the date of death, and to the extent that the Optionee's estate or a person who acquired the right to exercise such Option does not exercise such Option (to the extent otherwise so entitled) within the time specified herein, the Option shall terminate.

8. Non-Transferability of Options. Options 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.

9. Adjustments Upon Changes in Capitalization, Dissolution, Merger, Asset

-----  
Sale or Change of Control.  
-----

(a) Changes in Capitalization. Subject to any required action by the

-----  
stockholders of the Company, the number of shares of Common Stock covered by each outstanding Option, and the number of shares of Common Stock 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 of Common Stock covered by each such outstanding Option, shall be proportionately and automatically adjusted for any increase or decrease in the number of issued shares of Common Stock 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 of Common Stock 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." Such adjustment shall be made by the Board, whose determination in that respect shall be final, binding and conclusive. 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 of Common Stock 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 will terminate immediately prior to the consummation of such proposed action. The Board may, in the exercise of its sole discretion in such instances, declare that any Option shall terminate as of a date fixed by the Board and give each Optionee the right to exercise his or her Option as to all or any part of the Optioned Stock, including Shares as to which the Option would not otherwise be exercisable because it is not yet Vested or for any other reason.

-10-

(c) Merger or Asset Sale. Subject to the following sentence, in the



-----  
event of a merger of the Company with or into another corporation, the sale of substantially all of the assets of the Company or a Change in Control, each outstanding Option shall be assumed or an equivalent Option substituted by the successor corporation or a Parent or Subsidiary of the successor corporation. In the event that the successor corporation does not agree to assume the Option or to substitute an equivalent option, then the Option shall be deemed exercisable to the extent of the greater of (i) 40% of the number of shares

-----  
subject to the Option or (ii) the number of shares then Vested immediately prior to the occurrence of the Change of Control pursuant to the provisions of Section A.1 of the Option Agreement between the Company and Optionee. Such Options shall terminate to the extent such Options are not Vested and exercised immediately prior to the occurrence of a Change in Control. For the purposes of this paragraph, the Option shall be considered assumed if, immediately following the merger, sale of assets or Change in Control, the Option confers the right to purchase, 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); provided, however, that if such consideration received in the merger, sale of

-----  
assets or Change in Control was not solely common stock of the successor corporation or its Parent, the Administrator may, with the consent of the successor corporation and the Optionee, 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, sale of assets or Change in Control.

(d) Definition of "Change in Control". For purposes of this Section

-----  
9, a "Change in Control" means the happening of any of the following:

(i) When any "person," as such term is used in Sections 13(d) and 14(d) of the Exchange Act (other than the Company, a Subsidiary or a Company employee benefit plan, including any trustee of such plan acting as trustee), other than Michael J. Saylor or Alcantara LLC (the "Exempt Persons"), is or becomes the "beneficial owner" (as defined in Rule 13d-3 under the Exchange Act), directly or indirectly, of securities of the Company representing more than fifty percent (50%) of the combined voting power of the Company's then outstanding securities entitled to vote generally in the election of directors; or

(ii) A merger or consolidation of the Company with any other corporation, other than a merger or consolidation which would result in the voting securities of the Company outstanding immediately prior thereto continuing to represent (either by remaining outstanding or by being converted into voting securities of the surviving entity) at least fifty percent (50%) of the total voting power represented by the voting securities of the Company or such surviving entity outstanding immediately after such merger or consolidation, or the stockholders of the Company approve an agreement for the sale or disposition by the Company of all or substantially all the Company's assets; or

-11-

(iii) A change in the composition of the Board of Directors of the Company occurring within any two-year period without the consent of a majority of the Incumbent Directors or the consent of at least one of the Exempt Persons, as a result of which fewer than a majority of the directors are Incumbent Directors. "Incumbent Directors" shall mean directors who either (A) are directors of the Company as of the date the Plan is approved by the stockholders, (B) are elected, or nominated for election, to the Board of Directors of the Company with the affirmative votes of at least a majority of the Incumbent Directors at the time of such election or nomination (but shall not include an individual whose election or nomination is in connection with an actual or threatened proxy contest relating to the election of directors to the Company), or (C) are elected, or nominated for election, to the Board of Directors of the Company with the affirmative votes of at least a majority of the votes entitled to be cast by the Exempt Persons.

(e) Change in Control Price. For purposes of this Section 9, "Change

-----  
in Control Price" shall be, as determined by the Board, (i) the highest Fair Market Value of a Share within the 60-day period immediately preceding the date of determination of the Change in Control Price by the Board (the "60-Day Period"), or (ii) the highest price paid or offered per Share, as determined by the Board, in any bona fide transaction or bona fide offer related to the Change in Control of the Company, at any time within the 60-Day Period, or (iii) such lower price as the Board, in its discretion, determines to be a reasonable estimate of the fair market value of a Share.

10. Date of Grant. The date of grant of an Option shall be, for all

-----  
purposes, the date on which the Administrator makes the determination granting such Option, or such other later date as is determined by the Administrator. Notice of the determination shall be provided to each Optionee within a reasonable time after the date of such grant.

11. Amendment and Termination of the Plan.

-----  
(a) Amendment and Termination. The Board may at any time amend, alter, suspend or terminate the Plan.

(b) Stockholder Approval. The Company shall obtain stockholder approval of any Plan amendment to the extent necessary and desirable to comply with Rule 16b-3 or with Section 422 of the Code (or any successor rule or statute or other applicable law, rule or regulation, including the requirements of any exchange or quotation system on which the Common Stock is listed or quoted). Such stockholder approval, if required, shall be obtained in such a manner and to such a degree as is required by any applicable law, rule or regulation.

(c) Effect of Amendment or Termination. No amendment, alteration, suspension or termination of the Plan shall impair the rights of any Optionee, unless mutually agreed otherwise between the Optionee and the Administrator, which agreement must be in writing and signed by the Optionee and the Company.

-12-

12. Conditions Upon Issuance of Shares.

-----  
(a) Legal Compliance. 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 shall comply with all relevant provisions of law, including, without limitation, the Securities Act of 1933, as amended, the Exchange Act, the rules and regulations promulgated thereunder, Applicable Laws, and the requirements of any stock exchange or quotation system upon which the Shares may then be listed or quoted, and shall be further subject to the approval of counsel for the Company with respect to such compliance.

(b) Investment Representations. 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.

13. Liability of Company.

-----  
(a) Inability to Obtain Authority. The 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.

(b) Grants Exceeding Allotted Shares. If the Optioned Stock covered

-----  
by an Option exceeds, as of the date of grant, the number of Shares which may be issued under the Plan without additional stockholder approval, such Option shall be void with respect to such excess Optioned Stock, unless stockholder approval of an amendment sufficiently increasing the number of Shares subject to the Plan is timely obtained in accordance with Section 11(b) of the Plan.

14. 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.

15. Stockholder Approval. Continuance of the Plan shall be subject to

-----  
approval by the stockholders of the Company within twelve (12) months before or after the date the Plan is adopted. Such stockholder approval shall be obtained in the manner and to the degree required under applicable federal and state law.

Amended and Restated 1996 Stock Plan  
approved by the Board on October 23, 1998

=====

LEASE AGREEMENT

BETWEEN

PRENTISS PROPERTIES ACQUISITION PARTNERS, L.P.,  
a Delaware limited partnership

(Landlord)

AND

MICROSTRATEGY, INC.,  
a Delaware corporation

(Tenant)

3130 Fairview Park Drive  
Falls Church, Fairfax County, Virginia 22042

Dated: August 14, 1998

=====

TABLE OF CONTENTS

-----

|            |  |
|------------|--|
| ARTICLE 1  | BASIC LEASE INFORMATION AND CERTAIN DEFINITIONS              |
| ARTICLE 2  | PREMISES AND QUIET ENJOYMENT                                 |
| ARTICLE 3  | TERM; COMMENCEMENT DATE; DELIVERY AND ACCEPTANCE OF PREMISES |
| ARTICLE 4  | RENT   |
| ARTICLE 5  | OPERATING COSTS  |
| ARTICLE 6  | PARKING  |
| ARTICLE 7  | SERVICES OF LANDLORD   |
| ARTICLE 8  | ASSIGNMENT AND SUBLETTING                                    |
| ARTICLE 9  | REPAIRS  |
| ARTICLE 10 | ALTERATIONS  |
| ARTICLE 11 | LIENS  |
| ARTICLE 12 | USE AND COMPLIANCE WITH LAWS                                 |
| ARTICLE 13 | DEFAULT AND REMEDIES   |
| ARTICLE 14 | INSURANCE  |
| ARTICLE 15 | DAMAGE BY FIRE OR OTHER CAUSE                                |
| ARTICLE 16 | CONDEMNATION   |
| ARTICLE 17 | INDEMNIFICATION  |
| ARTICLE 18 | SUBORDINATION AND ESTOPPEL CERTIFICATES                      |
| ARTICLE 19 | SURRENDER OF THE PREMISES                                    |
| ARTICLE 20 | LANDLORD'S RIGHT TO INSPECT                                  |

|            |                                     |
|------------|-------------------------------------|
| ARTICLE 21 | SECURITY DEPOSIT                    |
| ARTICLE 22 | BROKERAGE                           |
| ARTICLE 23 | OBSERVANCE OF RULES AND REGULATIONS |
| ARTICLE 24 | NOTICES                             |
| ARTICLE 25 | MISCELLANEOUS                       |
| ARTICLE 26 | SUBSTITUTION SPACE                  |
| ARTICLE 27 | OTHER DEFINITIONS                   |

EXHIBITS AND RIDERS

The following Exhibits and Riders are attached hereto and by this reference made a part of this Lease:

|            |   |                               |
|------------|---|-------------------------------|
| Exhibit A  | - | Floor Plan of the Premises    |
| Exhibit B  | - | The Land                      |
| Exhibit C  | - | Leasehold Improvements        |
| Exhibit D  | - | Form of Commencement Notice   |
| Exhibit E  | - | Cleaning Specifications       |
| Exhibit F  | - | Net Rentable Area Information |
|            |   |                               |
| Rider No.1 | - | Rules and Regulations         |
| Rider No.2 | - | Base Rent Adjustments         |
| Rider No.3 | - | Extension Option              |
| Rider No.4 | - | Signage                       |
| Rider No.5 | - | Antenna                       |

|             |   |                      |
|-------------|---|----------------------|
| Rider No.6  | - | Hazardous Materials  |
| Rider No.7  | - | Landlord Default     |
| Rider No.8  | - | Landlord's Lien      |
| Rider No.9  | - | Storage Space        |
| Rider No.10 | - | Delivery Date        |
| Rider No.11 | - | Indoor Air Quality   |
| Rider No.12 | - | Right of Opportunity |

INDEX OF DEFINED TERMS

Definitions of certain terms used in this Lease are found in the following sections:

| TERM<br>-----                       | LOCATION OF DEFINITION<br>----- |
|-------------------------------------|---------------------------------|
| Additional Rent                     | Section 1.01O                   |
| Bankruptcy Code                     | Section 8.06                    |
| Base Building                       | Exhibit C                       |
| Base Rent                           | Section 1.01N                   |
| Base Year                           | Section 1.01P                   |
| Base Year Operating Costs           | Section 1.01Q                   |
| Broker                              | Section 1.01U                   |
| Building                            | Section 1.01B                   |
| Building Standard                   | Exhibit C                       |
| Business Days                       | Section 1.01BB                  |
| Business Hours                      | Section 1.01CC                  |
| Central Systems                     | Section 9.01                    |
| Commencement Date                   | Section 1.01F                   |
| Common Areas                        | Article 27                      |
| days                                | Article 27                      |
| Events of Default                   | Section 13.01                   |
| Expiration Date                     | Section 1.01G                   |
| Guarantor                           | Section 1.01Z                   |
| Guarantor's Address for Notice      | Section 1.01AA                  |
| Holidays                            | Section 1.01DD                  |
| Improvement Allowance               | Exhibit C                       |
| include and including               | Article 27                      |
| Interest Rate                       | Section 4.02                    |
| Land                                | Section 1.01C                   |
| Landlord                            | Preamble                        |
| Landlord's Address for Notice       | Section 1.01W                   |
| Landlord's Address for Payment      | Section 1.01X                   |
| Landlord's Operating Costs Estimate | Section 5.01                    |
| Leasehold Improvements              | Exhibit C                       |
| Net Rentable Area                   | Section 1.01L                   |
| Net Rentable Area of the Building   | Section 1.01J                   |
| Net Rentable Area of the Premises   | Section 1.01I                   |
| Office Park                         | Section 1.01V                   |
| Parking Facilities                  | Section 1.01D                   |
| Parking Permits                     | Section 1.01R                   |
| Permit Fee                          | Section 1.01R                   |
| Permitted Uses                      | Section 1.01S                   |
| Project                             | Section 1.01E                   |
| Premises                            | Section 1.01A                   |
| Rent                                | Section 1.01M                   |
| repair                              | Article 27                      |
| Security Deposit                    | Section 1.01T                   |
| Substitution Space                  | Section 26.01                   |
| Successor Landlord                  | Section 18.02                   |
| Taxes                               | Section 5.02                    |
| Tenant                              | Preamble & Article 27           |
| Tenant Affiliate                    | Section 8.03                    |
| Tenant Delay                        | Exhibit C                       |

-iv-

|                             |                |
|-----------------------------|----------------|
| Tenant's Address for Notice | Section 1.01Y  |
| Tenant's Property           | Section 14.01A |
| Tenant's Share              | Section 1.01L  |
| Tenant's Work               | Exhibit C      |
| Term                        | Section 1.01H  |
| terms of this Lease         | Article 27     |
| Trustee                     | Section 8.06   |
| year                        | Article 27     |

-v-

THIS LEASE AGREEMENT ("this Lease") is made and entered into by and between PRENTISS PROPERTIES ACQUISITION PARTNERS, L.P., a Delaware limited partnership ("Landlord"), and MICROSTRATEGY, INC., a Delaware corporation ("Tenant"), upon all the terms set forth in this Lease and in all Exhibits and Riders hereto, to each and all of which terms Landlord and Tenant hereby mutually agree, and in consideration of One Dollar (\$1.00) and other valuable consideration, the receipt and sufficiency of which are hereby acknowledged, and of the rents, agreements and benefits flowing between the parties hereto, as follows:

ARTICLE 1  
BASIC LEASE INFORMATION AND CERTAIN DEFINITIONS

Section 1.01. Each reference in this Lease to information and definitions contained in the Basic Lease Information and Certain Definitions and each use of the terms capitalized and defined in this Section 1.01 shall be deemed to refer to, and shall have the respective meaning set forth in, this Section 1.01.

- A. Premises: A portion of the first (1st) floor and the entire second (2nd), third (3rd) and fourth (4th) floors of the Building, presently known as Suite Nos. 150, 200, 300 and 400, as said space is identified on the floor plans attached hereto as Exhibit A. The foregoing notwithstanding, from and after the date each Leaseable Unit (as defined in Section 3.01) is deemed available for occupancy (as defined in Section 3.02), such Leaseable Unit and all other Leaseable Units theretofore made available for occupancy shall be deemed to be the "Premises" for all purposes under this Lease.
  - B. Building: The building to be constructed on the Land, being commonly known as 3130 Fairview Park Drive, Falls Church, Fairfax County, Virginia 22042.
  - C. Land: That certain parcel of land described on Exhibit B attached hereto.
  - D. Parking Facilities: The multi-level parking garage and the surface parking area which is adjacent to the Building and located on the Land.
  - E. Project: The Land and all improvements thereon, including the Building, the Parking Facilities and all Common Areas.
- 1-
- F. Commencement Date: That certain date on which the Term shall commence, as determined pursuant to the provisions of Article 3 hereof.
  - G. Expiration Date: The last day of the month containing the ninetieth (90th) monthly anniversary of the Commencement Date; provided, however, if the Commencement Date falls on the first (1st) day of a month, then such month shall constitute the first (1st) month of the aforementioned period. The foregoing notwithstanding, if, in accordance with the terms of Section 3.01 of the Lease, Landlord does not deliver possession of the Premises to Tenant as a single unit on the Commencement Date (i.e. the entire Premises is not available for occupancy (as defined in Section 3.02) on the Commencement Date), the Expiration Date shall be the earlier of (i) September 30, 2006 or (ii) the last day of the month containing the ninetieth (90th) monthly anniversary of the date the final portion of the Premises is available for occupancy.
  - H. Term: Approximately ninety (90) months, beginning on the Commencement Date and ending at 11:59 p.m. on the Expiration Date, unless this Lease is sooner terminated as provided herein.

- I. Net Rentable Area of the Premises: 75,461 square feet, subject to adjustment in accordance with the provisions of Article 3 (which Net Rentable Area is the total of the following: first (1st) floor: 5,554 square feet of Net Rentable Area; second (2nd) floor: 23,533 square feet of Net Rentable Area; third (3rd) floor: 23,187 square feet of Net Rentable Area; and fourth (4th) floor: 23,187 square feet of Net Rentable Area).
- J. Net Rentable Area of the Building: 183,097 square feet, subject to adjustment in accordance with the provisions of Article 3.
- K. Net Rentable Area: The net rentable area as calculated by the Greater Washington Commercial Association of Realtors Standard Method of Measurement (June 1995 version, modified by Landlord to allow equitable

-2-

distribution of the Building lobby and the Building's Common Areas throughout the entire Building). Landlord's calculation of the Net Rentable Area is attached hereto as Exhibit F, subject to adjustment in accordance with the provisions of Article 3.

- L. Tenant's Share: 41.214%, representing a fraction, the numerator of which is the Net Rentable Area of the Premises and the denominator of which is the Net Rentable Area of the Building, subject to adjustment in accordance with the provisions of Article 3.
- M. Rent: The Base Rent and the Additional Rent. The Base Rent is set forth on Rider No. 2-Base Rent Adjustments.
- N. Base Rent: The Base Rent shall be \$2,150,638.50 per annum (\$28.50 per square foot per annum of Net Rentable Area of the Premises), which includes Base Year Operating Costs; subject, however, to adjustment as set forth in this Lease, including in Rider No. 2-Base Rent Adjustments.
- O. Additional Rent: The Additional Rent shall be all other sums due and payable by Tenant under the Lease.
- P. Base Year: Reference is hereby made to Section 5.01D for the definition of Base Year.
- Q. Base Year Operating Costs: Reference is hereby made to Section 5.01D for the definition of Base Year Operating Costs.

-3-

- R. Parking Spaces and Permit Fees: Tenant shall be entitled to Parking Permits at a ratio of 3.6 per 1,000 square feet of Net Rentable Area of the Premises, at a Permit Fee charge to Tenant of \$-0- per Parking Permit during the Term and any extension thereof. The foregoing notwithstanding, Tenant's "free parking" will during the Term will be considered in determining the "Fair Market Value Rate" (as defined in Rider No. 3-Extension Option and Rider No. 12-Right of Opportunity).
- S. Permitted Uses: Tenant may use the Premises for executive, administrative and general office purposes, with accessory uses of in-house and customer training



(but not a school) and meetings for Tenant's employees and customers, and for no other purpose.

- T. Security Deposit: \$750,000.00, in the form of a letter of credit in form and content reasonably satisfactory to Landlord, delivered to Landlord within thirty (30) days after the complete execution and delivery of this Lease.
- U. Broker: Cushman & Wakefield of Virginia, Inc. and Zalco Realty, Inc.
- V. Office Park: The complex of office buildings presently known as Fairview Park, Falls Church, Virginia.
- W. Landlord's Address for Notice: Prentiss Properties Acquisition Partners, L.P.  
3141 Fairview Park Drive, Suite 200  
Falls Church, Virginia 22042  
Attention: Asset Manager
- With a courtesy copy to:
- Prentiss Properties Acquisition Partners, L.P.  
3890 W. Northwest Highway, Suite 400  
Dallas, Texas 75220  
Attention: Corporate Counsel
- X. Landlord's Address for Payment: Prentiss Properties Acquisition Partners, L.P.  
P.O. Drawer 905161  
Charlotte, North Carolina 28290

-4-

- Y. Tenant's Address for Notice:
- Prior to the Commencement Date: MicroStrategy, Inc.  
8000 Towers Crescent Drive  
Vienna, Virginia 22182  
Attention: Mr. James P. Cappelli
- After the Commencement Date: MicroStrategy, Inc.  
3130 Fairview Park Drive  
Falls Church, Virginia 22042  
Attention: Mr. James P. Cappelli
- MicroStrategy, Inc.  
8000 Towers Crescent Drive  
Vienna, Virginia 22182  
Attention: Mr. James P. Cappelli
- MicroStrategy, Inc.  
8000 Towers Crescent Drive  
Vienna, Virginia 22182  
Attention: Legal Department
- With a courtesy copy to:
- Allen L. Morgan, Esq.  
Latham & Watkins  
75 Willow Road  
Menlo Park, California 94025-3656
- Z. Guarantor: [Intentionally Omitted]
- AA. Guarantor's Address for Notice: [Intentionally Omitted]

BB. Business Days: Monday through Friday (except for Holidays).

CC. Business Hours: 7:00 a.m. to 6:00 p.m. on Monday and through Friday and 9:00 a.m. to 1:00 p.m. on Saturdays (except for Holidays).

-5-

DD. Holidays: New Year's Day; Memorial Day; Independence Day; Labor Day; Thanksgiving Day; and Christmas Day.

ARTICLE 2  
PREMISES AND QUIET ENJOYMENT

Section 2.01. Landlord hereby leases the Premises to Tenant, and Tenant hereby rents and leases the Premises from Landlord, for the Term. During the Term, Tenant shall have the right to use, in common with others and in accordance with the Rules and Regulations, the Common Areas.

Section 2.02. Provided that Tenant fully and timely performs all the terms of this Lease on Tenant's part to be performed, including payment by Tenant of all Rent, Tenant shall peaceably and quietly have, hold and enjoy the Premises during the Term without hindrance or disturbance from or by Landlord or any party claiming by or through Landlord; subject, however, to all of the terms, conditions and provisions of any and all restrictive covenants, easements and other encumbrances now or hereafter affecting the Premises and the Project. Landlord represents to Tenant that none of the aforementioned deeds of trust, mortgages, restrictive covenants, ground leases, easements and other encumbrances now or hereafter affecting the Premises and the Project prohibits or restricts or will prohibit or restrict Tenant from using the Premises for the Permitted Uses.

ARTICLE 3  
TERM; COMMENCEMENT DATE; DELIVERY AND ACCEPTANCE OF PREMISES

Section 3.01. The Commencement Date shall be the earlier of (a) the date any Leaseable Unit (hereinafter defined) is deemed available for occupancy pursuant to Section 3.02 hereof (but in no event before February 1, 1999), or (b) the date Tenant, or anyone claiming by, through or under Tenant, occupies any portion of the Premises for the purpose of and actually conducts Tenant's (or such other person's) business therein. A "Leaseable Unit" means the portion of the Premises located on the first (1st) floor of the Building; the portion of the Premises located on the second (2nd) and third (3rd) floors (together, both floors considered as a single unit) of the Building; or the portion of the Premises located on the fourth (4th) floor of the Building. From and after the date each Leaseable Unit is deemed available for occupancy (as defined in Section 3.02), such Leaseable Unit and all other Leaseable Units theretofore made available for occupancy shall be deemed the "Premises" for all purposes under this Lease.

Section 3.02.A. A Leaseable Unit or Units shall be deemed available for occupancy as soon as the following conditions have been met with respect to such Leaseable Unit or Units: (a) the Leasehold Improvements (as defined in Exhibit C) have been Substantially Completed (as defined in Exhibit C) as determined by Landlord's Architect or space planner and Tenant's Space Planner, subject to completion of any Punch List items; and (b) Landlord has obtained (and delivered a copy thereof to Tenant) all final sign-off, inspection and approvals by the appropriate governmental authorities required for the issuance of a permit permitting the lawful use and

-6-

occupancy of such Leaseable Unit (the "Occupancy Certificate"). Landlord shall endeavor in good faith and in coordination with Tenant (but Landlord does not guaranty) and in the ordinary course of constructing the Leasehold Improvements make the Leaseable Unit located on the second (2nd) and third (3rd) floors of the Building be available for occupancy prior to the Leaseable Unit located on the fourth (4th) floor of the Building being available for occupancy. Landlord agrees that the Leaseable Unit located on the first (1st) floor of the Building will not be deemed available for occupancy prior to the date on which the Leaseable Unit located on the second (2nd) and third (3rd) floors of the

Building or the Leaseable Unit located on the fourth (4th) floor of the Building is available for occupancy. The foregoing and any other provision of this Lease to the contrary notwithstanding, if Tenant requests that Leasehold Improvements not be constructed in a portion of the Premises or that Leasehold Improvements be constructed in a portion of the Premises but such Leasehold Improvements are insufficient for the issuance of an Occupancy Certificate for such space (e.g. if Tenant desires to leave a portion of the Premises in shell condition due to Tenant's desire to sublease such space promptly after the Commencement Date and to construct any Leasehold Improvements after the subtenant's space needs are known), Landlord will have no obligation to obtain an Occupancy Certificate for such space and the Premises or such portion thereof shall be deemed available for occupancy as soon as the condition set forth in (a) of this Section has been satisfied and (b) of this Section shall not apply to the Premises or such portion, as applicable. Landlord shall endeavor in good faith to give Tenant at least thirty (30) days prior written notice of the anticipated Commencement Date.

B. Any provision of this Lease to the contrary notwithstanding, if there is a delay in the availability for occupancy of any Leaseable Unit due to Tenant Delay, such Leaseable Unit shall be deemed available for occupancy on the date on which the Leaseable Unit would have been available for occupancy but for such Tenant Delay, even though an Occupancy Certificate has not been issued or the Leasehold Improvements have not been commenced or substantially completed.

Section 3.03. The Net Rentable Area of the Premises and the Building are approximately as stated in Article 1 and Landlord shall have Landlord's Architect specifically calculate and certify to Tenant in writing such square footage(s) in accordance with the definition set forth in such Article. By written instrument substantially in the form of Exhibit D attached hereto, Landlord shall notify Tenant of the Commencement Date, the Net Rentable Area of the Premises and all other matters stated therein. The Commencement Notice shall be conclusive and binding on Tenant as to all matters set forth therein, unless within ten (10) days following delivery of such Commencement Notice, Tenant contests any of the matters contained therein by notifying Landlord in writing of Tenant's objections. The foregoing notwithstanding, Landlord's failure to deliver any Commencement Notice to Tenant shall not affect Landlord's determination of the Commencement Date. The foregoing and any other provision of this Lease to the contrary notwithstanding, within 150 days after the date this Lease is fully executed and delivered, Landlord shall cause Landlord's Architect to make a determination of the Net Rentable Area of the Premises based on the methodology set forth in Section 1.01K. Tenant shall have the right to have the Net Rentable area of the Premises verified by Tenant's Space Planner (as defined in Exhibit C) using the method of measurement described in Section 1.01K, on or before the date that is thirty (30) days after Landlord's Architect completes such determination and delivers its

-7-

results to Tenant, provided that Tenant notifies Landlord thereof in writing within ten (10) Business Days after Landlord's Architect's results are delivered to Tenant. If Tenant's Space Planner asserts that the size of the Premises differs from the size established by Landlord's Architect by less than one percent (1%) of Landlord's Architect's result, then the Net Rentable Area of the Premises shall be conclusively deemed to be the Net Rentable Area as determined by Landlord's Architect. If Tenant's Space Planner disputes the Net Rentable Area of the Premises as set forth above, Landlord's Architect does not agree with such determination and Tenant's Space Planner's determination differs from Landlord's Architect's determination by more than one percent (1%) of Landlord's Architect's determination, then within five (5) Business Days after Tenant's Space Planner's verification of such Net Rentable Area, Tenant's Space Planner and Landlord's Architect shall together appoint an architect who shall be licensed in the Commonwealth of Virginia, who has at least ten (10) years experience and is recognized within the field as being reputable and ethical to remeasure the Premises (using the method of measurement described in Section 1.01K) and the median determination of the Net Rentable Area of the Premises (whether calculated by Landlord's Architect, Tenant's Space Planner or such third architect) shall be final and conclusive. If the number of square feet of Net Rentable Area of the Premises as finally determined by the remeasuring process described above is different than the number of Net Rentable Area of the Premises set forth in Section 1.01I, then Landlord and Tenant shall promptly enter into an amendment to this Lease incorporating the appropriate changes (including, without limitation, an adjustment of the Base Rent and the Improvement Allowance). If Tenant fails to notify Landlord in writing of its

intention to remeasure the Premises within the ten (10) Business Day period described above, or fails to have the Premises remeasured prior to the date specified above, then the number of square feet of Net Rentable Area of the Premises as determined by Landlord's Architect shall be final and conclusive. Landlord and Tenant shall each bear the cost of its architect (i.e., for Landlord, Landlord's Architect, and for Tenant, Tenant's Space Planner) and shall share equally the cost of the third architect.

Section 3.04. Tenant may not enter or occupy the Premises prior to the Commencement Date without Landlord's express written consent and any entry by Tenant shall be subject to all of the terms of this Lease; provided, however, that no such early entry shall change the Commencement Date or the Expiration Date. Notwithstanding the foregoing, Landlord will provide Tenant with access to the Premises during the two (2) week period prior to the Commencement Date (the "Preoccupancy Entry Period") for the sole purpose of Tenant's installation of furniture, equipment and cabling/termination devices, provided that Tenant's contractors/vendors are reasonably approved by Landlord. Tenant shall cause its work to be coordinated and complementary with the work of Contractor. Tenant shall comply with all applicable work schedules and requirements promulgated by Landlord and Contractor relating to such entry and the completion of the Leasehold Improvements and Tenant's installation work. Tenant must have obtained all required low voltage permits and delivered a copy of the same to Landlord prior to Tenant's cabling contractor's installation of the cabling at the Premises. In addition, any provision of this Lease to the contrary notwithstanding, Tenant's cabling work shall be performed according to Landlord's construction schedule, which schedule might require that the cabling work be performed prior to or during the aforementioned two (2) week period. With respect to the Preoccupancy Entry Period, neither Base Rent nor Tenant's Operating Costs Payment shall be due and payable as a result of Tenants' entry of the Premises for the purposes

-8-

described in this Section, but Tenant shall otherwise comply with the terms and conditions contained in this Lease. In addition to the aforementioned rights of Tenant during the Preoccupancy Entry Period, Tenant's Representative (as defined in Exhibit C and, for purposes of this Section, also specifically including Michael Saylor and Tenant's Space Planner) shall have the right, upon reasonable advance notice to Landlord's Contractor and to Landlord in coordination with the Contractor's and Tenant's Representative's schedules, to periodically visit the Project during Business Hours (excluding Saturdays) solely for the purposes of verifying Landlord's construction progress at the Project and reasonably inspecting the Contractor's methods of construction and progress in constructing and installing the Leasehold Improvements. During such visits, Tenant shall observe all safety and other reasonable rules established by Landlord and/or Contractor for such visits.

Section 3.05. Occupancy of the Premises or any portion thereof by Tenant or anyone claiming through or under Tenant for the conduct of Tenant's, or such other person's business therein shall be conclusive evidence that Tenant and all parties claiming through or under Tenant (a) have accepted the Premises as suitable for the purposes for which the Premises are leased hereunder, subject to completion of any Punch List items, and (b) have waived any defects in the Premises, the Common Areas and the Project; except that Tenant shall not be deemed to have waived (i) patent defects in the Premises, the Common Areas or the Project which defects Tenant reports to Landlord in writing within six (6) months after the Commencement Date; (ii) latent defects in the Premises, the Common Areas or the Project which defects Tenant reports to Landlord in writing within twelve (12) months after the Commencement Date; or (iii) the completion or correction of the items on the Punch List.

#### ARTICLE 4 RENT

Section 4.01. Tenant shall pay to Landlord, without notice, demand, offset or deduction (except as may be expressly provided to the contrary in this Lease), in lawful money of the United States of America, at Landlord's Address for Payment, or at such other place as Landlord shall designate in writing from time to time: (a) the Base Rent in equal monthly installments, in advance, on the first day of each calendar month during the Term, and (b) the Additional Rent, at the respective times required hereunder. Payment of Rent shall begin on the Commencement Date; provided, however, if either the Commencement Date or the Expiration Date falls on a date other than the first day of a calendar month, the Rent due for such fractional month shall be prorated on a per diem basis

between Landlord and Tenant so as to charge Tenant only for the portion of such fractional month falling within the Term, and the first full monthly installment of Base Rent shall be paid within seven (7) days after the complete execution and delivery of this Lease. The Base Rent shall be adjusted annually as set forth on Rider No. 2-Base Rent Adjustments. Any provision of this Lease to the contrary notwithstanding, if the Premises becomes available for occupancy in stages in accordance with the provisions of Section 3.01 (i.e. on the Commencement Date, fewer than all of the Leaseable Units are available for occupancy), the Base Rent payable by Tenant shall be prorated such that Tenant will only be required to pay Base Rent from time to time for the Leaseable Unit(s) that are then available for occupancy in accordance with the terms of Section 3.01.

-9-

Section 4.02. All past due installments of Rent shall bear interest until paid at a rate per annum (the "Interest Rate") equal to the greater of 15% or 4% above the prime rate of interest from time to time publicly announced by NationsBank or any successor thereof; provided, however, if the Interest Rate would exceed the maximum rate permitted under federal law or under the laws of the jurisdiction in which the Land is located, the Interest Rate shall be the maximum rate of interest then permitted by applicable law.

#### ARTICLE 5 OPERATING COSTS

Section 5.01. Commencing upon the first (1st) anniversary of the date on which the first Leaseable Unit is available for occupancy, Tenant shall pay to Landlord, as Additional Rent, for each year or fractional year during the Term, an amount ("Tenant's Operating Costs Payment") of money equal to Tenant's Share of Operating Costs for such year in excess of Base Year Operating Costs, such amount to be calculated and paid as follows:

A. Commencing upon the first (1st) anniversary of the date on which the first Leaseable Unit is available for occupancy and continuing on or before the first day of January of each year thereafter or as soon thereafter as is practicable (including, for informational purposes only, for calendar year 1999), Landlord shall furnish Tenant with a statement ("Landlord's Operating Costs Estimate") setting forth Landlord's reasonable estimate of grossed up Operating Costs for the forthcoming year and Tenant's Operating Costs Payment for such year. On the first day of each calendar month during such year, Tenant shall pay to Landlord one-twelfth (1/12th) of Tenant's Operating Costs Payment as estimated on Landlord's Operating Costs Estimate. If for any reason Landlord has not provided Tenant with Landlord's Operating Costs Estimate on the first day of January of any year during the Term, then (a) until the first day of the calendar month following the month in which Tenant is given Landlord's Operating Costs Estimate, Tenant shall continue to pay to Landlord on the first day of each calendar month the sum, if any, payable by Tenant under this Section 5.01 for the month of December of the preceding year, and (b) promptly after Landlord's Operating Costs Estimate is furnished to Tenant, Landlord shall give notice to Tenant stating whether the installments of Tenant's Operating Costs Payments previously made for such year were greater or less than the installments of Tenant's Operating Costs Payments to be made for such year, and (i) if there shall be a deficiency, Tenant shall pay the amount thereof to Landlord within ten (10) days after the delivery of Landlord's Operating Costs Estimate, or (ii) if there shall have been an overpayment, Landlord shall apply such overpayment as a credit against the next accruing monthly installment(s) of Tenant's Operating Costs Payment due from Tenant until fully credited to Tenant and, following the expiration or sooner termination of the Term (other than due to an Event of Default), Landlord shall promptly forward to Tenant any such overpayment not otherwise applied towards Tenant's payment obligations under this Lease, and (iii) on the first day of the calendar month following the month in which Landlord's Operating Costs Estimate is given to Tenant and on the first day of each calendar month throughout the remainder of such year, Tenant shall pay to Landlord an amount equal to one-twelfth (1/12th) of Tenant's Operating Costs Payment. Tenant shall not be entitled to any reimbursement or credit for any decreases in the Base Year Operating Costs.

-10-

B. On the first day of March of each year during the Term (beginning on the first day of March of the second year following the year in which the Commencement Date occurs) or as soon thereafter as is reasonably

practicable in the event of extraordinary circumstances, Landlord shall furnish Tenant with a reasonably detailed written statement of the actual grossed up Operating Costs for the preceding year. Within thirty (30) days after Landlord's giving of such statement, Tenant shall make a lump sum payment to Landlord in the amount, if any, by which Tenants' Operating Costs Payment for such preceding year as shown on such Landlord's statement, exceeds the aggregate of the monthly installments of Tenant's Operating Costs Payments paid during such preceding year. If Tenant's Operating Costs Payment, as shown on such Landlord's statement, is less than the aggregate of the monthly installments of Tenant's Operating Costs Payment actually paid by Tenant during such preceding year, then Landlord shall apply such amount to the next accruing monthly installment(s) of Tenant's Operating Costs Payment due from Tenant until fully credited to Tenant.

C. If the Term ends on a date other than the last day of December, the actual Operating Costs for the year in which the Expiration Date occurs, shall be prorated to that Tenant shall pay that portion of Tenant's Operating Costs Payment for such year represented by a fraction, the numerator of which shall be the number of days during such fractional year falling within the Term, and the denominator of which is 365 (or 366, in the case of a leap year). The provisions of this Section 5.01 shall survive the Expiration Date or any sooner termination provided for in this Lease.

D. Any provision of this Lease to the contrary notwithstanding, Landlord and Tenant agree that with respect to calendar year 2000, Tenant's Operating Costs Payment shall be calculated based upon the increase (if any) in the grossed up Operating Costs (excluding Taxes) incurred for calendar year 2000 over the grossed up Operating Costs (excluding Taxes) incurred for calendar year 1999; thus, for calendar year 2000, the "Base Year" means calendar year 1999 and the "Base Year Operating Costs" means the grossed up Operating Costs (excluding Taxes) incurred for calendar year 1999. With respect to calendar year 2001 and for each calendar year (or portion thereof) thereafter, Tenant's Operating Costs Payment shall be calculated based upon the increase (if any) in the grossed up Operating Costs (including Taxes) incurred for calendar year 2001 (or such later year, as applicable) over the sum of the grossed up Operating Costs (excluding Taxes) incurred for calendar year 1999 plus Taxes for calendar year 2000; thus, for calendar year 2001 and for each calendar year (or portion thereof) thereafter, the "Base Year" means a combination of the Operating Costs (excluding Taxes) for calendar year 1999 and Taxes for calendar year 2000; and the "Base Year Operating Costs" means the sum of the grossed up Operating Costs (excluding Taxes) incurred for calendar year 1999 plus Taxes for calendar year 2000. The gross up of Operating Costs shall be in accordance with the terms of Section 5.03. In addition, if the Commencement Date is delayed for seven (7) months or more after February 1, 1999 due to Landlord Delay and/or force majeure events, the Base Year shall mean calendar year 2000 and the aforementioned dates (other than those with respect to Taxes, which shall remain the same) shall each be changed to the following calendar year.

Section 5.02. A. For purposes of this Lease, the term "Operating Costs" shall mean any and all actual expenses, costs and disbursements which Landlord pays, incurs or becomes obligated

-11-

to pay in connection with the operation, management, repair and maintenance of all portions of the Project. It is understood that other office buildings are or may be developed in the Office Park and such other buildings may share facilities and services with the Building. Operating Costs shall include that portion of all costs, expenses and disbursements relating to such shared facilities and services which are reasonably allocated to the Project. All Operating Costs shall be determined according to generally accepted accounting principles which shall be consistently applied. Operating Costs include, but are not limited to, the following:

(a) wages, salaries, benefits and fees of all personnel at or below the level of a property manager (i.e. the building manager who deals with the Building's tenants on a day-to-day basis) or entities engaged in the operation, repair, maintenance, management, or safekeeping of the Project, including taxes, insurance, and benefits relating thereto and the costs of all supplies and materials (including work clothes and uniforms) used in the operation, repair, maintenance and security of the Project. To the extent that any of the aforementioned personnel devote a portion of their time to the operation, repair, maintenance, management or safekeeping of the Project and a portion to any other property, Operating Costs shall only include, with respect

to the aforementioned expenses for each such person, the expenses that are reasonably allocated to the Project;

(b) cost of performance by Landlord's personnel of, or of all service agreements for, maintenance, janitorial services, access control, alarm service, window cleaning, elevator maintenance and landscaping for the Project, including the rental of personal property used by Landlord's personnel in the maintenance and repair of the Project;

(c) cost of utilities for the Project, including water, sewer, power, electricity, gas, fuel, lighting and all air conditioning, heating and ventilating costs;

(d) cost of all insurance, including casualty and liability insurance applicable to the Project and to Landlord's equipment, fixtures and personal property used in connection therewith, business interruption or rent insurance, insurance as may be required by any lessor or mortgagee of Landlord, and such other insurance which Landlord considers reasonably necessary in the operation of the Project;

(e) Taxes for the Project. For purposes hereof, the term "Taxes" shall mean, all taxes, assessments, and other governmental charges, applicable to or assessed against the Project or any portion thereof, or applicable to or assessed against Landlord's personal property used in connection therewith, including any reasonable expenses, including fees for attorneys, tax consultants, arbitrators, appraisers, experts and other witnesses, incurred by Landlord in contesting any taxes or the assessed valuation of all or any part of the Project. Any (A) franchise, corporation, income, inheritance, gift, estate or net profits tax, unless substituted for real estate taxes or imposed as additional charges in connection with the ownership of the Project, which may be assessed against Landlord or the Project or both, (B) transfer taxes assessed against Landlord or the Project or both, (C) penalties or interest on any late payments of Landlord and, (D) personal property taxes of Tenant or other tenants in the Project shall be excluded from Taxes. Landlord shall appeal the Tax assessment for the Project for any year for which tenants leasing an aggregate of at least fifty percent (50%) of the Net Rentable Area of the Building so request, provided that Landlord receives such

-12-

request in writing at least thirty (30) days prior to the deadline for filing such appeal. Landlord shall have the right to appeal the Tax assessment at any time without the consent of Tenant or any other tenant at the Building. Tenant acknowledges that all Tax assessment appeal costs and that Taxes constitute Operating Costs and that an appeal might result in increased Operating Costs, a portion of which might be payable by Tenant as a part of Tenant's Operating Costs Payment. If Tenant requests in writing, Landlord shall provide Tenant will a copy of the Tax assessment notice;

(f) legal and accounting costs incurred by Landlord or paid by Landlord to third parties (exclusive of legal fees with respect to disputes with individual tenants, negotiations of tenant leases, or with respect to the ownership rather than the operation of the Project), consulting fees, and all other professional fees and disbursements;

(g) cost of non-capitalized repairs and general maintenance for the Project (excluding repairs and general maintenance paid by proceeds of insurance or by Tenant, other tenants of the Project or other third parties);

(h) amortization of the cost of improvements or equipment which are capital in nature and which are for the purpose of reducing Operating Costs for the Project, but only up to the amount saved as a result of the installation thereof, as reasonably estimated by Landlord. All such costs, including interest thereon, shall be amortized on a straight line basis over the useful life of the capital investment items, as reasonably determined by Landlord;

(i) the prorated portion (to the extent allocable to the Project) of the property management office rent or rental value at the fair market value rate (and with annual fair market increases) at the time the management office lease was/is entered, for space not to exceed 1,800 square feet of Net Rentable Area. Landlord agrees that at any given time the rent per square foot of Net Rentable Area for the property management office will not exceed the then Rent payable by Tenant per square foot of Net Rentable Area for the Premises;

(j) management fee (not to exceed 3% of gross rents) (which 3% fee shall be deemed to be included in the Base Year Operating Costs) and all items reimbursable to the Project manager pursuant to any management contract for the Project; and

(k) amounts payable to the owners' association (if any) for the Office Park.

B. "Operating Costs" shall not include:

(a) original construction costs of the Building;

(b) expenses for replacements arising from the initial defective or improper construction of the Building regardless of whether such expenses are reimbursed to Landlord by virtue of warranties from contractors or suppliers;

(c) expenses arising directly from Landlord's leasing of space in the Building or from Landlord's purchase or sale of any interest in the Building, including, without

-13-

limitation, deed taxes, advertising and marketing, leasing and sale commissions, or any amounts paid for or on behalf of any tenant such as space planning, moving costs, and construction and installation of tenant leasehold improvements;

(d) costs (exclusive of Landlord's management fee of 3% of gross rents) representing an amount paid to an affiliate of Landlord or any general partner, officer or director of Landlord or any of its general partners to the extent they exceed arms-length competitive prices paid in the metropolitan Washington, D.C. area for the services or goods provided;

(e) reserves for repairs, maintenance and replacements;

(f) costs incurred to make the Project's computer software systems Year 2000 compliant;

(g) costs of repairs incurred by reason of fire or other casualty or condemnation whether or not Landlord receives compensation therefore through the proceeds of insurance or condemnation awards;

(h) interest, penalties or liens arising by reason of Landlord's failure to pay when due any Operating Costs, except that Operating Costs shall include interest or similar charges on Taxes (for example) if the taxing authority permits Taxes to be paid in installments with interest thereon, such payments are not treated as being overdue by the taxing authority and Landlord elects to pay the Taxes in such installments;

(i) costs incurred for maintenance of any retail areas of the Building, or compensation paid to clerks, attendants, sales persons or other persons on or in commercial concessions operated in the Building;

(j) costs incurred to maintain Landlord's existence as a corporation, partnership or other entity, such as trustee's fees, annual fees, corporate or partnership organization or for administration expenses and legal and accounting fees (other than with respect to Building operations) and costs attributable to the general corporate overhead of Landlord such as for in-house legal (but not in-house accounting), secretarial and corporate office rent;

(k) costs (including fines and penalties imposed) incurred by Landlord to remove any hazardous substances from either the Building or Land;

(l) depreciation of the Building or any equipment, machinery, fixtures or improvements therein;

(m) the cost of any 'tap fees' or one time lump sum sewer or water connection fees for the Building;

(n) costs directly resulting from the willful misconduct of Landlord or its agents, contractors or employees;

-14-



(o) ground rents;

(p) costs incurred to remedy, repair or otherwise correct any violations of governmental laws, rules or regulations which require compliance before the Commencement Date;

(q) except to the extent permitted as an Operating Cost under Section 5.02A, capital improvements to the Building;

(r) principal and interest on mortgage payments;

(s) costs for sculpture, paintings and other art objects;

(t) except to the extent permitted as an Operating Costs under Section 5.02A, rental costs and related expenses for leasing systems or equipment that would be considered a capital improvement or expenditure if purchased;

(u) costs of selling, syndicating, financing, mortgaging or hypothecating any part of or interest in the Project;

(v) the cost of any electricity usage reimbursed directly to Landlord by any tenant through metering or any other means;

(w) cost of any item, service or repair to the extent (i) recovered under a warranty, guaranty or insurance policy maintained or held by the Landlord; or (ii) such cost would have been covered by insurance proceeds had Landlord maintained the insurance coverage it is required to maintain under this Lease; or

(x) cost of replacing or retrofitting the HVAC system to comply with the laws that regulate or prohibit the use or release of chlorofluorocarbons (CFCs) or hydrocarbons (HCFCs).

There shall be no duplication of any costs or reimbursements and Landlord shall not recover more than one hundred percent (100%) of the Operating Costs actually incurred by Landlord.

Section 5.03. If less than 100% of the Net Rentable Area of the Building is occupied during any full or fractional year of the Term (including the Base Year), the actual Operating Costs shall be adjusted for such year to an amount which Landlord reasonably estimates would have been incurred in Landlord's reasonable judgment had the Building been 100% occupied.

Section 5.04. If during the Term any change occurs in either the number of square feet of the Net Rentable Area of the Premises or of the Net Rentable Area of the Building arising from a casualty or condemnation, Tenant's Share of Operating Costs shall be adjusted, effective as of the date of any such change. On and after the date of any such change, Tenant's Operating Costs Payment pursuant to Section 5.01A shall be adjusted effective as of the date of such change.

-15-

#### Section 5.05.

A. At Tenant's sole cost and expense (subject to the provisions of Section 5.05B) and provided that no monetary Event of Default then exists, Tenant and/or its auditors shall have the right to review Landlord's books and records pertaining to Operating Costs and Landlord's calculation of Tenant's Operating Costs Payment for a given calendar year or portion thereof (as the case may be), for the three (3) calendar years immediately preceding Tenant's receipt of the most recent Operating Cost statement. Landlord agrees to preserve and make available to Tenant in connection with an audit by Tenant such books and records for at least four (4) years (which four (4) year period is not intended to extend the aforementioned three (3) year audit right period) after the end of each such year and thereafter while any audit or dispute concerning same is proceeding. Upon at least thirty (30) days prior written request from Tenant to Landlord, the audit shall be conducted at a time mutually convenient to Landlord and Tenant during Business Hours at the offices where such books and records are maintained.

B. If the auditor concludes that Landlord has overstated Tenant's

Operating Costs Payment for a given year and Landlord has, in fact, so overstated Tenant's Operating Costs Payment, Landlord will refund any overpayment by Tenant within thirty (30) days after completion of the audit and receipt of Tenant's written demand for payment. In addition, if the auditor concludes that Landlord has overstated Tenant's Operating Costs Payment for a given year by more than five percent (5%) of the amount actually due and Landlord has, in fact, so overstated Tenant's Operating Costs Payment, Landlord will reimburse Tenant for Tenant's commercially reasonable out-of-pocket costs (determined on an hourly or flat fee basis for similar services rendered by reputable, experienced auditors regarding the matter in dispute, but in no event in excess of the amount of out-of-pocket expenses paid by Tenant to Tenant's auditor) the reasonable costs of such audit within thirty (30) days after completion of the audit and receipt of Tenant's written demand for payment.

C. No subtenant shall have the right to review Landlord's books and records pertaining to Operating Costs or Landlord's calculation of Tenant's Share of Operating Costs for any period of time. No assignee (other than a Tenant Affiliate assignee) shall have the right to review Landlord's books and records pertaining to Operating Costs or Landlord's calculation of Tenant's Operating Costs Payment for any period of time prior to the assignment of this Lease to such assignee. Tenant's audit rights shall survive the expiration or termination of this Lease for a period of two (2) years following the last day of the calendar year in which this Lease expires or terminates.

Section 5.06. Any provision of this Lease to the contrary notwithstanding, the portion of Tenant's payment obligation (the "Controllables Payment") for Tenant's Share of Operating Costs attributable to the Controllable Operating Costs (hereinafter defined) for a calendar year after the Base Year, shall not exceed 105% of the Controllables Payment for the then immediately preceding calendar year (or, in the case of the Controllables Payment for calendar year 2000, the Base Year) (the "Cap"); provided, however, if the Controllables Payment for a calendar year calculated without regard to the Cap ("Uncapped Costs") would exceed the Controllables Payment

-16-

calculated with the Cap ("Capped Costs"), such excess amount shall be accumulated and paid by Tenant within thirty (30) days after Landlord's written demand therefor to the extent that, in any of the three (3) immediately succeeding years, the Controllables Payment is less than the Cap. Controllable Operating Costs shall mean the aggregate of all Operating Costs other than those incurred for: (w) utilities, (x) insurance, and (y) Taxes, as such non-Controllable Operating Costs are described in Sections 5.02A(c), (d), and (e), respectively. All payment calculations under this Section shall be prorated for any partial calendar years during the Term and all calculations shall be based upon Operating Costs as grossed-up in accordance with the provisions of Section 5.03.

#### ARTICLE 6 PARKING

Section 6.01. Landlord hereby grants to Tenant the right as part of this Lease to use in common with other tenants and with the public, parking spaces in the Parking Facilities. The number of Parking Permits to be issued to Tenant and the monthly Permit Fee during the initial Term for each Parking Permit is set forth in Section 1.01. Landlord shall not be obligated to provide Tenant with any additional Parking Permits. If Tenant fails to observe the Rules and Regulations with respect to the Parking Facilities, then Landlord, at its option, after providing Tenant with an appropriate notice and time period within which to cure any such violation (which notice and time period shall be reasonably determined by Landlord), shall have the right to terminate Tenant's Parking Permits, without legal process, and to remove Tenant, Tenant's vehicles and those of its employees, licensees or invitees and all of Tenant's personal property from the Parking Facilities. Landlord agrees to label ten (10) parking spaces at the Parking Facilities (which spaces are included in Tenant's Parking Permits allocation) as being "Reserved for MicroStrategy". The reserved parking spaces shall be at a location(s) in the Parking Facilities that is(are) mutually acceptable to Landlord and Tenant. Landlord agrees to label not fewer than twenty (20) parking spaces at the Parking Facilities as being for "Visitor Parking". Landlord shall determine the location of all visitor parking, after Landlord consults with Tenant and considers Tenant's suggestions (which suggestions shall not be binding on Landlord) for where such parking should be located. Landlord agrees that at no time during the Term will the total of all then outstanding Parking Permits issued by Landlord to tenants of the Building

exceed a ratio of 3.6 Parking Permits per 1,000 square feet of Net Rentable Area of the Building unless Landlord expands the Parking Facilities to accommodate additional parking, in which case Landlord shall have the right to exceed the aforementioned ratio on a proportionate basis taking into account the number of expansion spaces. Tenant understands that visitor parking at the Project is included in the Building tenants' Parking Permit allocations and that visitor parking is not in addition to the total number of Parking Permits issued to the Building tenants. Any provision of this Lease to the contrary notwithstanding, if any act or omission by Landlord renders the Parking Facilities and/or Tenant's Parking Permit allocation (including reserved spaces) not reasonably accessible, safe or usable or which causes the number of parking spaces at the Parking Facilities and/or Tenant's Parking Permit allocation to be reduced below the allotment granted herein to Tenant and/or the applicable local code requirements (which reasons may include but are not limited to repairs, maintenance, casualty, condemnation, or displacement or dislocation caused by future construction), Landlord shall immediately provide substitute parking areas for Tenant's and its invitees use which areas shall (i) cause no net reduction in Tenant's Parking Permit allocation, (ii)

-17-

be reasonably convenient in terms of location, quality and safety, and (iii) be designated by prior written notice to Tenant with the exact location of such substitute parking areas.

#### ARTICLE 7 SERVICES OF LANDLORD

Section 7.01. A. During the Term, Landlord shall furnish the following services: (a) hot and cold water in Building Standard bathrooms and chilled water in Building Standard drinking fountains; (b) electric power for lighting the Premises and for the operation therein of typewriters, voicewriters, calculating machines, word processing equipment, photographic reproduction equipment, copying machines, personal computers and similar common items of contemporary office business equipment; (c) heating, ventilating and air conditioning, as appropriate, during Business Hours; (d) electric lighting for the Common Areas of the Project; (e) at least two (2) passenger elevators, for use in common with others, for access to and from the Premises twenty-four (24) hours per day, seven (7) days per week; provided, however, that Landlord shall have the right to limit the number (but not below two (2)) of (but not cease to operate all) elevators to be operated for repairs and after Business Hours and on Saturdays, Sundays and Holidays; (f) janitorial cleaning services in accordance with the standards set forth on Exhibit E to this Lease; (g) facilities for Tenant's loading, unloading, delivery and pick-up activities, including access thereto during Business Hours, subject to the Rules and Regulations; (h) replacement, as necessary, of fluorescent light bulbs, Building Standard light bulbs and ballasts in Building Standard light fixtures within the Premises; (i) Building lobby directory board identification of Tenant; (j) maintenance of the Building structure, foundation, roof, Central Building Systems, exterior, sprinkler system, landscaping, the Parking Facilities and the Common Areas; (k) reasonable use of the passenger/freight elevator without charge to Tenant, subject to Landlord's reasonable rules with respect to such elevator usage; (l) Landlord shall provide Tenant with 480 security access cards for the Building at no cost to Tenant for the 24-hour a day/7 day per week perimeter access security system to be installed at the Building, at Landlord's expense; and (m) use (without charge to Tenant) in common with others Tenant's pro rata share of the Building's tenant risers for the purpose of servicing the Premises and/or Tenant's Rooftop Communications Equipment. All services referred to in this Section 7.01A shall be provided by Landlord and paid for by Tenant as part of Rent. Landlord shall provide the services referred to in this Section 7.01A in a manner and to a standard that is consistent with those of other landlords of first-class office buildings located in the Tysons Corner/Merrifield market. The Base Building's HVAC system is designed for the cooling capacities set forth for such system in the Base Building Plans and Specifications (as defined in Exhibit C). The Base Building's HVAC equipment shall be designed to maintain a uniform indoor temperature of 73 degrees F.D.B. at 50% R.H. in summer based on the outdoor condition of 95 degrees F.D.B./78 degrees F.W.B. and 75 degrees F.D.B. in the winter based on the outdoor condition of 5 degrees F.D.B. Actual performance levels are conditioned upon Tenant's Leasehold Improvements being standard tenant build-out for similar office buildings. Reference is hereby made to Rider No. 7-Landlord Default for provisions regarding certain rights of Tenant arising upon Landlord's default hereunder.

B. If Tenant requires air conditioning, heating, cleaning or other services that Landlord is obligated to provide under Section 7.01A for hours or days in addition to the hours and

-18-

days specified in Section 7.01A, Landlord shall provide such additional service after reasonable prior written request therefor from Tenant, and Tenant shall reimburse Landlord for the cost of such additional service. Landlord shall have no obligation to provide any additional service to Tenant at any time if an Event of Default then exists, unless Tenant pays to Landlord, in advance, the cost of such additional service. The after hours HVAC system being installed at the Building in connection with the initial construction of the Building will enable Tenant to activate after-hours HVAC for the Premises via a manual activation system or through the following 3130 Fairview Park After Hours Procedures: (i) during Property Management Office Hours (currently, 7:30 a.m. through 5:30 p.m., Monday through Friday (exclusive of Holidays), Tenant calls Property Management Office and Property Management Office personnel will program the energy management system to run during the designated time period; and (ii) after Property Management Office Hours, Tenant calls Property Management Office and security personnel will program the energy management system to run during the designated time period. Tenant shall reimburse Landlord for Landlord's actual cost for such additional HVAC service, which shall include overtime utility costs per hour, equipment maintenance costs per hour and equipment depreciation per hour. Landlord estimates the actual overtime HVAC cost for calendar year 1999 to be \$35.00 per hour per floor, which estimate includes the overtime utility costs per hour, equipment maintenance costs per hour and equipment depreciation costs per hour. Tenant acknowledges that the actual overtime HVAC charges to Tenant could at any time during the Term differ from the aforementioned estimate. The foregoing notwithstanding, Landlord agrees that Landlord will give Tenant (a) a ten percent (10%) bulk rate discount (as reasonably determined by Landlord based upon utility costs per hour, equipment maintenance costs per hour and equipment depreciation costs per hour) for overtime HVAC if Tenant gives Landlord written notice at least three (3) days in advance that Tenant desires at least thirty (30) hours of overtime HVAC for a single floor of the Premises in the then upcoming calendar month, with the minimum additional overtime unit being two (2) hours and with each day's scheduled overtime HVAC hours being set forth in such notice; and (b) a twenty percent (20%) bulk rate discount (as reasonably determined by Landlord based upon utility costs per hour, equipment maintenance costs per hour and equipment depreciation costs per hour) for overtime HVAC if Tenant gives Landlord written notice at least three (3) days in advance that Tenant desires at least thirty (30) hours of overtime HVAC for each of two (2) or more floors of the Premises in the then upcoming calendar month, with the minimum additional overtime unit being two (2) hours and with each day's scheduled overtime HVAC hours being set forth in such notice

C. Tenant shall not install any machinery or equipment which generates abnormal heat or otherwise creates unusual demands on the air conditioning or heating system serving the Premises. Tenant shall not install any electrical equipment requiring special wiring unless approved in advance by Landlord. At no time shall use of electricity in the Premises exceed the capacity of existing feeders and risers to or wiring in the Premises.

D. Landlord and Tenant agree that an electricity submeter will be installed for each floor on which the Premises is located. The cost of purchasing and installing the submeters shall be shared equally by Landlord and Tenant. Landlord shall read the submeters each month during the Term and send Tenant an invoice for the electricity consumed by Tenant at the Premises in excess of Landlord's reasonable estimate of normal office tenant usage for buildings similar to the Building, as such excess is shown on the submeters and Tenant shall pay such invoices within thirty

-19-

(30) days after receipt thereof. Landlord shall have the right to enter the Premises each month in order to read the submeters. In addition to the aforementioned electricity payment, Tenant shall pay Landlord Tenant's Share of Operating Costs for electricity for the Common Areas and to operate the Central Systems. If Tenant disagrees with Landlord's calculation of Tenant's excess electricity consumption, Tenant shall so notify Landlord in writing. Within ten (10) days after Landlord receives such notice, Landlord and Tenant shall mutually agree upon an electrical engineer or other neutral qualified consultant

and such engineer or consultant shall determine Tenant's excess usage (if any), with such determination being binding on Landlord and Tenant.

Section 7.02. Landlord's obligation to furnish electrical and other utility services shall be subject to the rules and regulations of the supplier of such electricity of other utility services and the rules and regulations of any municipal or other governmental authority regulating the business of providing electricity and other utility services.

Section 7.03. No failure to furnish, or any stoppage of, the services referred to in this Article 7 resulting from any cause shall make Landlord liable in any respect for damages to any person, property or business, or be construed as an eviction of Tenant, or entitle Tenant to any abatement of Rent or other relief from any of Tenant's obligations under this Lease, unless such failure or stoppage of services (i) renders the Premises or a portion thereof not reasonably tenantable for the normal conduct of Tenant's business; and (ii) extends for a period longer than three (3) consecutive days, in which event the Rent payable hereunder shall be equitably abated beginning on the fourth (4th) consecutive day after the Premises becomes not reasonably tenantable and continuing for so long as the Premises or the portion thereof is not reasonably tenantable. Should any malfunction of any systems or facilities occur within the Project or should maintenance or alterations of such systems or facilities become necessary, Landlord shall repair the same promptly and with reasonable diligence, and Tenant shall have no claim for rebate, abatement of Rent, or damages because of malfunctions or any such interruptions in service.

Section 7.04. If Tenant desires additional electrical capacity to service the Premises, Tenant, at its expense, may, subject to Landlord's approval (not to be unreasonably withheld, conditioned or delayed) install such equipment in the Building as is necessary to increase the available electrical capacity and as part of such installation Tenant will install and thereafter maintain a submeter (or comparable device to measure such consumption) at Tenant's sole cost (if the submeter is not then already in place). Any such installation shall be subject to the provisions of Article 10-Alterations. Landlord shall reasonably cooperate with Tenant to provide increased electrical capacity to the Premises at Tenant's cost. Subject to the terms of this Lease, Landlord shall make available, at no cost to Tenant, reasonable access to the Building's electrical closets and risers for installation of any necessary wiring, circuit breakers and similar equipment for the purposes of increasing the electrical capacity. Any provision of this Lease to the contrary notwithstanding, no such electrical modifications shall be permitted if they will diminish or compromise the electrical capacity or service to any part of the Building or the Common Areas.

Section 7.05. Any provision of this Lease to the contrary notwithstanding, subject to and in accordance with Tenant's compliance (at Tenant's expense) with all applicable laws, rules and regulations and the Rules and Regulations, Tenant shall have the non-exclusive right to use solely

-20-

for the purpose of internal access to the Premises the Building emergency exit stairs and landings for the floors on which the Premises is located. Landlord agrees to install, if requested by Tenant and at Tenant's expense, subject to and in accordance with applicable laws, rules and regulations, appropriate security devices to prevent the stairwell doors from being opened in and from the stairwells to the Premises without an appropriate key card. Upon installation of a security and/or lock system Tenant will provide Landlord with a duplicate copy of the keys, cards or codes to such system. At Tenant's expense and at Tenant's option, but in accordance with all applicable laws, rules and regulations, Landlord will also install, in connection with the Leasehold Improvements, carpeting (or other floor covering selected by Tenant and approved by Landlord) on the stairs and landings, additional lighting and, at Tenant's expense, will paint the walls, stairs, landing and ceilings in a color selected by Tenant and approved by Landlord. A portion of the Improvement Allowance may be applied towards such improvements. Landlord will have no obligation to provide routine, scheduled or periodic security service for the stairwells. Tenant's indemnification obligations set forth in Section 17.01 with respect to the Premises shall be deemed to include the stairwells.

ARTICLE 8  
ASSIGNMENT AND SUBLETTING

Section 8.01. Except as otherwise expressly set forth in this Article,

neither Tenant nor its legal representatives or successors in interest shall, by operation of law or otherwise, assign, mortgage, pledge, encumber or otherwise transfer this Lease or any part hereof, or the interest of Tenant under this Lease, or in any sublease or the rent thereunder. Except as otherwise expressly set forth in this Article, the Premises or any part thereof shall not be sublet, occupied or used for any purpose by anyone other than Tenant, without Tenant's obtaining in each instance the prior written consent of Landlord in the manner hereinafter provided. Tenant shall not modify, extend, or amend a sublease previously consented to by Landlord without obtaining Landlord's prior written consent thereto, which consent shall not be unreasonably withheld, conditioned or delayed.

Section 8.02. An assignment of this Lease shall be deemed to have occurred if in a single transaction or in a series of transactions more than 50% in interest in Tenant or any subtenant (whether stock, partnership, interest or otherwise) is transferred, diluted, reduced, or otherwise affected with the result that the present holder or owners of Tenant or such subtenant have less than a 50% interest in Tenant or such subtenant. The transfer of the outstanding capital stock of any corporate Tenant or subtenant through the "over-the-counter" market or any recognized national securities exchange shall not be included in the calculation of such 50% interest referenced above.

Section 8.03. Notwithstanding anything to the contrary in Section 8.01, provided that no Event of Default then exists, Tenant shall have the right, upon ten (10) days' prior written notice to Landlord, to (a) sublet all or part of the Premises to any related corporation, joint venture, partnership or other entity which controls Tenant, is controlled by Tenant or is under common control with Tenant; or (b) assign this Lease to any related corporation or other entity which controls Tenant, is controlled by Tenant or is under common control with Tenant; provided that (i) such assignee assumes all of the obligations and liabilities of Tenant under this Lease, and (ii) Tenant shall provide in its notice to Landlord the information required in Section 8.04A. For the purpose

-21-

hereof "control" shall mean the ability to directly control the management and decision making functions of such corporation or entity (a "Tenant Affiliate").

Section 8.04.

A. For assignments and sublettings other than those permitted by Section 8.03, if Tenant desires to assign this Lease or sublet the Premises (or any part thereof), Tenant shall give Landlord written notice no later than fifteen (15) days in advance of the proposed effective date of any other proposed assignment or sublease, specifying (i) the name, current address, and business of the proposed assignee or sublessee, (ii) the amount and location of the space within the Premises proposed to be so subleased, (iii) the proposed effective date and duration of the assignment or subletting, (iv) the proposed rent or consideration to be paid to Tenant by such assignee or sublessee, and (v) financial statements and other information as Landlord may reasonably request to evaluate the proposed assignment or sublease.

B. The foregoing notwithstanding, if Tenant desires to sublease all or any portion of the Premises, Tenant shall first deliver to Landlord written notice of such desire and Landlord shall have the option to notify Tenant in writing within fifteen (15) days thereafter that Landlord elects to terminate this Lease as to the applicable space as of the proposed effective date set forth in Tenant's notice, in which event Tenant shall be relieved of all further obligations hereunder as to such space, except for obligations under Articles 17 and 22 and all other provisions of this Lease which expressly survive the termination hereof. If Landlord fails to timely notify Tenant that Landlord has elected to terminate this Lease pursuant to the terms of the foregoing sentence, Landlord shall be deemed to have elected not to so terminate this Lease. Provided Tenant thereafter enters into a sublease for the applicable space (upon receiving Landlord's written consent thereto as set forth below) within six (6) months after Landlord has elected (or is deemed to have elected), Landlord's right to recapture such space shall not arise again until such sublease expires or is otherwise terminated and Tenant desires to re-sublet such space. If Tenant fails to enter into a sublease for the applicable space within the six (6) month period, Landlord's recapture right shall be revived and Tenant shall reoffer the space to Landlord if Tenant continues to desire to sublease such space.

C. For assignments other than those permitted by Section 8.03,

Landlord shall have fifteen (15) days following receipt of such notice and other information requested by Landlord within which to notify Tenant in writing that Landlord elects: (a) to terminate this Lease as to the space so affected as of the proposed effective date set forth in Tenant's notice, in which event Tenant shall be relieved of all further obligations hereunder as to such space, except for obligations under Articles 17 and 22 and all other provisions of this Lease which expressly survive the termination hereof (as to Tenant's then existing obligations under this Lease, but not as to any new or different obligations thereafter arising under this Lease); (b) to permit Tenant to assign this Lease; provided, however, that, if any consideration shall actually be received by Tenant in connection with such proposed assignment, then 50% of such consideration shall be considered Additional Rent owed by Tenant to Landlord (less brokerage commissions, attorneys' fees, leasehold improvement allowances, lease concessions and other disbursements reasonably incurred by Tenant for such assignment); or (c) to refuse, in Landlord's reasonable judgment (reference is hereby made to Section

-22-

8.04E for certain criteria for Landlord's consent to a proposed assignment), to consent to Tenant's assignment of this Lease and to continue this Lease in full force and effect. If Landlord fails to notify Tenant in writing of such election with respect to a proposed assignment within the first ten (10) days of the aforementioned fifteen (15) day period, Tenant shall send a second notice to Landlord and if Landlord fails to notify Tenant in writing of Landlord's election with five (5) days following receipt of such second notice, Landlord shall be deemed to have elected option (b) above.

D. For sublettings other than those permitted by Section 8.03 and provided Landlord has elected (or is deemed to have elected) not to recapture the space as set forth in Section 8.04B, Landlord shall have fifteen (15) days following receipt of notice and other information requested by Landlord (which fifteen (15) day period may run concurrently with the fifteen (15) day period set forth in Section 8.04B) within which to notify Tenant in writing that Landlord elects: (A) to permit Tenant to sublet such space; provided, however, that, if the rent rate agreed upon between Tenant and its proposed subtenant is greater than the rent rate that Tenant must pay Landlord hereunder for that portion of the Premises, or if any consideration shall actually be received by Tenant in lieu of rent in connection with such proposed sublease (in addition to rent), then 50% of such excess rent and other consideration shall be considered Additional Rent owed by Tenant to Landlord (less brokerage commissions, attorneys' fees, leasehold improvement allowances, lease concessions and other disbursements reasonably incurred by Tenant for such subletting); or (B) to refuse, in Landlord's reasonable judgment (reference is hereby made to Section 8.04E for certain criteria for Landlord's consent to a proposed sublease), to consent to Tenant's subleasing of such space and to continue this Lease in full force and effect. If Landlord fails to notify Tenant in writing of such election with respect to a proposed subletting by Tenant within the first ten (10) days of the aforementioned fifteen (15) day period, Tenant shall send a second notice to Landlord and if Landlord fails to notify Tenant in writing of Landlord's election within five (5) days following receipt of such second notice, Landlord shall be deemed to have elected option (A) above.

E. Subject to Landlord's rights of recapture and profit-sharing and provided that no Event of Default then exists, Landlord shall not unreasonably withhold, condition or delay its consent to an assignment of this Lease or subletting of the Premises pursuant to Sections 8.04C or D. It shall be reasonable for Landlord to withhold its consent to an assignment or subletting to, among other assignees and/or subtenants, any (i) school; (ii) employment agency; (iii) governmental agency or authority; (iv) a medical or dental practice or a user that will attract a volume, frequency or type of visitor or employee to the Building which is not consistent with the standards of a high quality office building or that will impose an excessive demand on or use of the facilities or services of the Building; (v) travel agency; (vi) entity or persons enjoying the privileges of foreign sovereign immunity or diplomatic immunity; (vii) a person or entity that would conduct its business in a manner that might, in Landlord's reasonable opinion, materially and adversely affect the operation of the Building or the Building's image as a first-class office building containing reputable professional tenants; or (viii) assignee or sublessee if such assignment or subletting might, in Landlord's reasonable opinion, cause a default under another lease in the Building or under any ground lease, deed of trust, mortgage, restrictive covenant, easement or other encumbrance affecting the Project.

F. Tenant agrees to reimburse Landlord for legal fees (not to exceed \$750 per

-23-

proposed assignment or sublease) and any other reasonable costs incurred by Landlord in connection with any permitted assignment or subletting. Tenant shall deliver to Landlord copies of all documents executed in connection with any permitted assignment or subletting, which documents shall be in form and substance reasonably satisfactory to Landlord and which shall require any assignee to assume performance of all terms of this Lease to be performed by Tenant or any subtenant to comply with all the terms of this Lease to be performed by Tenant. No acceptance by Landlord of any Rent or any other sum of money from any assignee, sublessee or other category of transferee shall be deemed to constitute Landlord's consent to any assignment, sublease, or transfer.

Section 8.05. Any attempted assignment or sublease by Tenant in violation of the terms and provisions of this Article 8 shall be void and shall constitute a material breach of this Lease. In no event, shall any assignment, subletting or transfer, whether or not with Landlord's consent, relieve Tenant of its primary liability under this Lease for the entire Term, and Tenant shall in no way be released from the full and complete performance of all the terms hereof. If Landlord takes possession of the Premises before the expiration of the Term of this Lease, Landlord shall have the right, at its option, to terminate all subleases, or to take over any sublease of the Premises or any portion thereof and such subtenant shall attorn to Landlord, as its landlord, under all the terms and obligations of such sublease occurring from and after such date, but excluding previous acts, omissions, negligence or defaults of Tenant and any repair or obligation in excess of available net insurance proceeds or condemnation award.

Section 8.06. A. Tenant acknowledges that this Lease is a lease of nonresidential real property and therefore agrees that Tenant, as the debtor in possession, or the trustee for Tenant (collectively the "Trustee") in any proceeding under Title 11 of the United States Bankruptcy Code relating to Bankruptcy, as amended (the "Bankruptcy Code"), shall not seek or request any extension of time to assume or reject this Lease or to perform any obligations of this Lease which arise from or after the order of relief.

B. The Trustee shall have the right to assume or assign Tenant's rights and obligations under this Lease only if the Trustee: (i) promptly cures or provides adequate assurance that the Trustee will promptly cure any default under the Lease; (ii) compensates or provides adequate assurance that the Trustee will promptly compensate Landlord for any actual pecuniary loss incurred by Landlord as a result of Tenant's default under this Lease; and (iii) provides adequate assurance of future performance under the Lease. All payments of Rent required of Tenant under this Lease, whether or not expressly denominated as such in this Lease, shall constitute rent for the purposes of Title 11 of the Bankruptcy Code.

Section 8.07. The term "Landlord," as used in this Lease, so far as covenants or obligations on the part of Landlord are concerned, shall be limited to mean and include only the owner or owners, at the time in question, of the fee title to, or a lessee's interest in a ground lease of, the Land or the Building. Subject to any provisions of Section 3 of Rider No. 7-Landlord Default to the contrary, in the event of any transfer, assignment or other conveyance or transfers of any such title or interest, Landlord herein named (and in case of any subsequent transfers of any such title or interest, the then grantor) shall be automatically freed and relieved from and after the date of such transfer, assignment or conveyance of all liability as respects the performance of any covenants or obligations

-24-

on the part of Landlord contained in this Lease thereafter to be performed and, without further agreement, the transferee of such title or interest shall be deemed to have assumed and agreed to observe and perform any and all obligations of Landlord hereunder during the term of such transferee's ownership of the Project. Landlord may transfer its interest in the Project without the consent of Tenant and such transfer or subsequent transfer shall not be deemed a violation on Landlord's part of any of the terms of this Lease.



ARTICLE 9  
REPAIRS

Section 9.01. Except for ordinary wear and tear and except as otherwise provided in this Lease, Landlord shall perform all maintenance and make all repairs and replacements to the Premises (including the Leasehold Improvements); provided, however, to the extent that any of the Leasehold Improvements are non-Building Standard, Landlord shall have the option to either maintain such Leasehold Improvements, at Tenant's expense, or to require Tenant to maintain such Leasehold Improvements, at Tenant's expense, in accordance with the maintenance program reasonably required by Landlord. Tenant shall pay to Landlord the actual cost, except for Tenant's equipment and fixtures covered by service and maintenance contracts entered by Tenant (including, if Landlord makes the repair as to such non-Building Standard item(s), a fee equal to 5% of actual costs to cover a fee for Landlord's agent or manager) for (a) all maintenance, repairs and replacements within the Premises (including the Leasehold Improvements), other than maintenance, repairs and replacements to any Building system or component within the Building core serving the tenants in the Building ("Central Systems") located within the Premises; and (b) all repairs and replacements necessitated by damage to the Project (including the Building structure and the Central Systems) caused by the gross negligence or willful misconduct of Tenant or its agents, contractors, invitees and licensees, but only to the extent such costs are not covered by insurance required to be carried under this Lease. Amounts payable by Tenant pursuant to this Section 9.01 shall be payable thirty (30) days after receipt of an invoice therefor from Landlord. Landlord has no obligation and has made no promise to maintain, alter, remodel, improve, repair, decorate, or paint the Premises or any part thereof, except as specifically set forth in this Lease. In no event shall Landlord have any obligation to maintain, repair or replace any furniture, furnishings, fixtures or personal property of Tenant. Tenant's obligation to perform any repairs or to maintain the Premises shall be limited to interior non-structural items.

Section 9.02. Tenant shall keep the Premises (including the Leasehold Improvements) in good order and in a safe, neat and clean condition. No representations respecting the condition of the Premises or the Building or the other portions of the Project have been made by Landlord to Tenant except as specifically set forth in this Lease. Except as provided in Section 10.01 or specifically consented to by Landlord, Tenant shall not perform any maintenance or repair work or make any replacement in or to the Premises (including the Leasehold Improvements), and any branch of a Central System serving the Premises, but rather shall promptly notify Landlord of the need for such maintenance, repair or replacement so that Landlord may proceed to perform the same. The foregoing notwithstanding and specifically excluding Tenant's rights under Rider No. 7-Landlord Default, Tenant shall have the right to make repairs to the Premises (but not any repairs to the Building structure or to any Central Systems), at Tenant's expense, provided that, with respect to

-25-

each repair project, the cost of making the repairs would not normally exceed \$5,000 if Tenant were to have third-party contractors make such repairs and Tenant abides by Landlord's reasonable rules and regulations for making such repairs (for example, that Tenant obtain all necessary permits, that the repairs be made promptly and in a good and workmanlike manner, etc.). In the event Landlord specifically consents to the performance of any maintenance or the making of any repairs or replacements by Tenant and Tenant fails to promptly commence and diligently pursue the performance of such maintenance or the making of such repairs or replacements, then Landlord, at its option, may perform such maintenance or make such repairs and Tenant shall reimburse Landlord, on demand after Tenant receives an invoice therefor, the cost thereof plus 5% of the actual costs to cover a fee for Landlord's agent or manager.

Section 9.03. All repairs made by Tenant pursuant to Section 9.02 shall be performed in a good and workmanlike manner by contractors or other repair personnel selected by Tenant and reasonably approved by Landlord; provided, however, that neither Tenant nor its contractors or repair personnel shall be permitted to do any work affecting the Central Systems.

Section 9.04. Subject to the other provisions of this Lease imposing obligations regarding repair upon Tenant, Landlord shall repair all machinery and equipment necessary to provide the services of Landlord described in Article 7 and for repair of all portions of the Project which do not comprise a part of the Premises and are not leased to others.

ARTICLE 10  
ALTERATIONS

Section 10.01. Tenant shall not at any time during the Term make any alterations to the Premises without first obtaining Landlord's written consent thereto, which consent Landlord shall not unreasonably withhold or delay but which consent may be conditioned upon Tenant's agreement to remove the alterations at the end of the Term. Tenant agrees to remove, at its sole cost and expense, all of Tenant's Leasehold Improvements, furniture, personal property and movable trade fixtures from the Premises, on or before the expiration or earlier termination of this Lease; provided, however, Landlord agrees not to require Tenant to remove any of Tenant's initial Leasehold Improvements shown on the plans, dated July 27, 1998, prepared by Tenant's Architect. Subsequent alterations to the Premises shall also remain upon the expiration or termination of this Lease unless Landlord has notified Tenant in writing at the time Landlord approves the proposed subsequent alterations that Tenant will be required to remove such subsequent alterations at the end of the Term. If Tenant desires to make any alterations to the Premises after the Commencement Date, Tenant shall submit all plans and specifications for such proposed alterations to Landlord for Landlord's reasonable review and approval before Tenant allows any such work to commence. Tenant shall select and use only contractors approved by Landlord, which approval shall not be unreasonably withheld. Upon Tenant's receipt of written approval from Landlord and upon Tenant's payment of any third party review costs reasonably incurred by Landlord, Tenant shall have the right to proceed with the construction of all approved alterations, in strict compliance with the approved plans and specifications. All alterations shall be made at Tenant's sole cost and expense, either by Tenant's contractors or, at Tenant's option, by Landlord's contractor on terms reasonably satisfactory

-26-

to Tenant, including a fee of 5% of the actual costs of such work to cover a fee for Landlord's agent or manager if such agent or manager actually supervises and coordinates such work. In no event, however, shall anyone other than Landlord or Landlord's employees or representatives perform work to be done which affects the Central Systems. The foregoing notwithstanding, Tenant shall have the right, at Tenant's expense and without Landlord's consent, to make non-structural decorative or cosmetic alterations (including millwork) to the Premises (such as recarpeting or repainting the Premises) that are consistent with the leasehold improvements typically found in first class office space in the Tysons Corner/Merrifield office market and provided that the alterations cost \$100,000 or less (for any single project).

Section 10.02. All construction, alterations and repair work done by or for Tenant shall (a) be performed in such a manner as to maintain harmonious labor relations; (b) not adversely affect the safety of the Project, the Building or the Premises or the systems thereof and not affect the Central Systems; (c) comply with all building, safety, fire, plumbing, electrical, and other codes and governmental and insurance requirements; (d) not result in any usage in excess of Building Standard of water, electricity, gas, or other utilities or of heating, ventilating or air conditioning (either during or after such work); (e) be completed promptly and in a good and workmanlike manner and in compliance with, and subject to, all of the provisions of the Lease; and (f) not unreasonably disturb Landlord or other tenants in the Building. After completion of any alterations to the Premises, Tenant will deliver to Landlord a copy of "as built" plans and specifications depicting and describing such alterations.

Section 10.03. All leasehold improvements, alterations and other physical additions made to or installed by or for Tenant in the Premises shall be and remain Landlord's property (except for Tenant's furniture, personal property and movable trade fixtures including, without limitation, Tenant's audio-visual and related equipment). Tenant agrees to remove, at its sole cost and expense, all of Tenant's furniture, personal property and movable trade fixtures from the Premises, on or before the Expiration Date or any earlier date of termination of this Lease. Tenant shall repair, or promptly reimburse Landlord for the cost of repairing, all damage done to the Premises or the Building by such removal. If Tenant fails to remove any of Tenant's furniture, personal property or movable trade fixtures by the Expiration Date or any sooner date of termination of the Lease or, if Tenant fails to remove any leasehold improvements, alterations and other physical additions made by Tenant to the Premises which Landlord advised Tenant in writing at the time Landlord approved the installation of such items

(or at any time, if Tenant failed to obtain the required approval by Landlord) that they were to be removed at the end of the Term, Landlord shall have the right, on the tenth (10th) day after Landlord's delivery of written notice to Tenant, to deem such property abandoned by Tenant and to remove, store, sell, discard or otherwise deal with or dispose of such abandoned property in a commercially reasonable manner. Tenant shall be liable for all reasonable third-party costs incurred by Landlord in connection with such disposition of Tenant's abandoned property, and Landlord shall have no liability to Tenant in any respect regarding such property of Tenant. Landlord will not require Tenant to remove any Leasehold Improvements to the extent that such Leasehold Improvements have been constructed or installed at least to the Building Standard quality level and provided that such Leasehold Improvements are improvements that are typically found in the office space of other first-class office buildings in the Tysons Corner/Merrifield market.

-27-

The provisions of this Section 10.03 shall survive the expiration or any earlier termination of this Lease.

#### ARTICLE 11 LIENS

Section 11.01. Except with respect to the initial Leasehold Improvements being constructed or installed by Landlord's Contractor, Tenant shall keep the Project, the Building and the Premises and Landlord's interest therein free from any liens arising from any work performed, materials furnished, or obligations incurred by, or on behalf of Tenant. Notice is hereby given that neither Landlord nor any mortgagee or lessor of Landlord shall be liable for any labor or materials furnished to Tenant, except as furnished to Tenant by Landlord pursuant to Exhibit C. If any lien or claim for a lien (a "lien") is filed for such work or materials requested or contracted for by Tenant, such lien shall encumber only Tenant's interest in leasehold improvements on the Premises. Within thirty (30) days after Tenant learns of the filing of any such lien, Tenant shall notify Landlord of such lien and shall either discharge and cancel such lien of record or post a bond sufficient under the laws of the jurisdiction in which the Land is located to cover 125% of the amount of the lien (or such greater amount as may be required by any court having jurisdiction over the lien at issue) plus any penalties, interest, attorneys' fees, court costs, and other legal expenses in connection with such lien. If Tenant fails to so discharge or bond such lien within thirty (30) calendar days after written demand from Landlord, Landlord shall have the right, at Landlord's option, to pay the full amount of such lien without inquiry into the validity thereof, and Landlord shall be promptly reimbursed by Tenant, as Additional Rent, for all amounts so paid by Landlord, including reasonable expenses, interest and attorneys' fees.

#### ARTICLE 12 USE AND COMPLIANCE WITH LAWS

Section 12.01. The Premises shall be used for the Permitted Uses and for no other purposes. Tenant shall use and maintain the Premises in a clean, careful, safe, lawful and proper manner and shall not allow within the Premises, any offensive noise, odor, conduct or private or public nuisance or permit Tenant's employees, agents, licensees or invitees to create a public or private nuisance or act in a disorderly manner within the Building or in the Project. Landlord represents that any Occupancy Certificate(s) obtained by Landlord in making the Premises "available for occupancy" (as defined in Section 3.02) shall permit the lawful occupancy of the Premises (or the portion to which such certificate applies) for the Permitted Use.

Section 12.02. Tenant shall, at Tenant's sole expense, (a) comply with all laws, orders, ordinances, and regulations of federal, state, county, and municipal authorities having jurisdiction over the Premises, as the same relate to the physical condition of the Premises and Tenant's use thereof, (b) comply with any directive, order or citation made pursuant to law by any public officer requiring abatement of any nuisance or which imposes upon Landlord or Tenant any duty or obligation arising from Tenant's occupancy or use of the Premises or from conditions which have been created by or at the request or insistence of Tenant, or required by reason of a breach of any of

-28-

Tenant's obligations hereunder or by or through other fault of Tenant, (c)

comply with all reasonable insurance requirements applicable to the Premises, (d) comply with all covenants, conditions and restrictions recorded among the land records of the jurisdiction in which the Land is located, but only to the extent Landlord delivers a copy of such covenants, conditions and restrictions to Tenant, and (e) indemnify and hold Landlord harmless from any loss, cost, claim or expense which Landlord incurs or suffers directly and proximately by reason of Tenant's failure to comply with its obligations under clauses (a), (b), (c) or (d) above. If Tenant receives notice of any such directive, order citation or of any violation of any law, order, ordinance, regulation or any insurance requirement, Tenant shall promptly notify Landlord in writing of such alleged violation and furnish Landlord with a copy of such notice.

Section 12.03. Landlord represents to Tenant that, to Landlord's actual knowledge, the design and construction of the Project (exclusive of the planned Leasehold Improvements for the Premises and other areas leased to tenants) comply with all applicable laws, rules, regulations or codes including, without limitation, the Americans with Disabilities Act, as such laws are in effect and enforced on the Commencement Date. Landlord shall indemnify and hold Tenant harmless from any loss, costs, claim or expense which Tenant incurs or suffers directly and proximately by reason of any failure of the design or construction of the Project (exclusive of the Premises and other areas leased to tenants) to comply with any applicable laws, rules, regulations or codes including, without limitation, the Americans with Disabilities Act.

Section 12.04 All design, construction and installation of the Leasehold Improvements (as defined in Exhibit C) shall conform to the requirements of all applicable laws, rules, regulations and codes of any authority having jurisdiction over, or with respect to, such Leasehold Improvements. The foregoing notwithstanding, to the extent that the construction or installation of any Leasehold Improvements is in accordance with the Working Drawings, but the Working Drawings do not conform to any such laws, rules, regulations or codes, Tenant shall be responsible for correcting, at Tenant's expense, such construction or installation. To the extent that, on the Commencement Date, the initial Leasehold Improvements made to the Premises by Landlord or Landlord's contractors have not been constructed substantially in accordance with the Working Drawings (as defined in Exhibit C), Landlord shall, at Landlord's expense, take such action as may be necessary to correct such construction variances from the Working Drawings.

-29-

#### ARTICLE 13 DEFAULT AND REMEDIES

Section 13.01. The occurrence of any one or more of the following events shall constitute an Event of Default (herein so called) of Tenant under this Lease: (a) if Tenant fails to pay any Rent hereunder as and when such Rent becomes due and such failure shall continue for more than five (5) Business Days after Landlord gives Tenant written notice of past due Rent; (b) if Tenant fails to pay Base Rent within five (5) days after the due date more than twice in any period of twelve (12) months; (c) [Intentionally Omitted]; (d) if Tenant dissolves its business; (e) if any petition is filed by or against Tenant or any guarantor of this Lease under any present or future section or chapter of the Bankruptcy Code, or under any similar law or statute of the United States or any state thereof (which, in the case of an involuntary proceeding, is not permanently discharged, dismissed, stayed, or vacated, as the case may be, within sixty (60) days of commencement), or if any order for relief shall be entered against Tenant in any such proceedings; (f) if Tenant of this Lease makes a transfer in fraud of creditors or makes an assignment for the benefit of creditors; (g) if a receiver, custodian, or trustee is appointed for the Premises or for all or substantially all of the assets of Tenant, which appointment is not vacated within sixty (60) days following the date of such appointment; or (h) if Tenant fails to perform or observe any other term of this Lease and such failure shall continue for more than thirty (30) days after Landlord gives Tenant written notice of such failure, or, if such failure cannot be corrected within such thirty (30) day period, if Tenant does not commence to correct such failure within said thirty (30) day period and thereafter diligently prosecute the correction of same to completion within a reasonable time.

Section 13.02. Upon the occurrence of any Event of Default, Landlord shall have the right, at Landlord's option, to elect to do any one or more of the following:

(a) terminate this Lease, in which event Tenant shall immediately surrender the Premises to Landlord, and, if Tenant fails to so surrender, Landlord shall have the right to enter upon and take possession of the Premises and to expel or remove Tenant and its effects without being liable for prosecution or any claim for damages therefor; and Tenant shall, and hereby agrees to, indemnify Landlord for all reasonable losses and damages which Landlord suffers by reason of such termination, including damages in an amount equal to the total of (1) the costs of recovering the Premises and all other reasonable expenses incurred by Landlord in connection with Tenant's default; (2) the unpaid Rent earned as of the date of termination, plus interest at the Interest Rate; (3) the total Rent which Landlord would have received under this Lease for the remainder of the Term, but discounted to the then present value at a rate of 8% per annum, minus the fair market rental value for the balance of the Term, determined as of the time of such default, discounted to the then present value at a rate of 8% per annum; and (4) all other sums of money and damages owing by Tenant to Landlord; or

(b) enter upon and take possession of the Premises without terminating this Lease and without being liable to prosecution or any claim for damages therefor, and, if Landlord elects, relet the Premises on such terms as Landlord deems advisable, in which event Tenant shall pay to Landlord on demand the cost of repossession, renovating, repairing and altering the Premises

-30-

for a new tenant or tenants and any deficiency between the Rent payable hereunder and the rent paid under such reletting; provided, however, that Tenant shall not be entitled to any excess payments received by Landlord from such reletting. Landlord's failure to relet the Premises shall not release or affect Tenant's liability for Rent or for damages; or

(c) enter the Premises without terminating this Lease and without being liable for prosecution or any claim for damages therefor and maintain the Premises and repair or replace any damage thereto or do anything for which Tenant is responsible hereunder. Tenant shall reimburse Landlord immediately upon demand for any expenses which Landlord incurs in thus effecting Tenant's compliance under this Lease, and Landlord shall not be liable to Tenant for any damages with respect thereto.

Section 13.03. No agreement to accept a surrender of the Premises and no act or omission by Landlord or Landlord's agents during the Term shall constitute an acceptance or surrender of the Premises unless made in writing and signed by Landlord. No re-entry or taking possession of the Premises by Landlord shall constitute an election by Landlord to terminate this Lease unless a written notice of such intention is given to Tenant. Tenant hereby waives any right of redemption of the Premises or the Lease following any Event of Default.

Section 13.04. No provision of this Lease shall be deemed to have been waived by Landlord or Tenant unless such waiver is in writing and signed by the party against whom enforcement of such waiver is asserted. Landlord's acceptance of Rent following an Event of Default hereunder shall not be construed as a waiver of such Event of Default. No custom or practice which may develop between the parties in connection with the terms of this Lease shall be construed to waive or lessen Landlord's or Tenant's right to insist upon strict performance of the terms of this Lease, without a written notice thereof to the other party.

Section 13.05. The rights granted to Landlord in this Article 13 shall be cumulative of every other right or remedy provided in this Lease or which Landlord may otherwise have at law or in equity or by statute, and the exercise of one or more rights or remedies shall not prejudice or impair the concurrent or subsequent exercise of other rights or remedies or constitute a forfeiture or waiver of Rent or damages accruing to Landlord by reason of any Event of Default under this Lease.

#### ARTICLE 14 INSURANCE

Section 14.01. A. Tenant, at its sole expense, shall obtain and keep in force during the Term the following insurance: (a) "All Risk" insurance insuring all property located in the Premises, including furniture, equipment, fittings, installations, fixtures, supplies and any other personal property ("Tenant's Property") and the Leasehold Improvements, in an amount equal to the full replacement value; (b) commercial general public liability insurance including personal injury, bodily injury, broad form property damage, operations hazard,

owner's protective coverage, contractual liability, with a cross liability clause and a severability of interests clause to cover Tenant's indemnities set forth herein, and products and completed operations liability, in limits not less than \$1,000,000 inclusive per occurrence; (c) Worker's Compensation and Employer's Liability

-31-

insurance in form and amount as required by applicable law; and (d) if Tenant performs any repairs or alterations in the Premises, Builder's Risk insurance on an "All Risk" basis (including collapse) on a completed value (nonreporting) form for full replacement value covering all work incorporated in the Building and all materials and equipment in or about the Premises.

B. Tenant shall have the right to include the insurance required by Section 14.01A under Tenant's policies of "blanket insurance". All certificates of insurance evidencing such coverage shall name Tenant as named insured thereunder and shall name Landlord and all mortgagees and lessors of Landlord of which Tenant has been notified, additional insureds, all as their respective interest may appear. All such certificates shall be issued by insurers acceptable to Landlord and in form satisfactory to Landlord. Tenant shall deliver to Landlord certificates by the Commencement Date and, with respect to renewals of such policies, not later than thirty (30) days prior to the end of the expiring term of coverage. All policies of insurance shall be primary and noncontributing. All such policies and certificates shall contain an agreement by the insurers to notify Landlord and any mortgagee or lessor of Landlord in writing, by Registered U.S. mail, return receipt requested, not less than thirty (30) days before any material change, reduction in coverage, cancellation, including cancellation for nonpayment of premium.

Section 14.02. Landlord shall obtain and keep in force throughout the Term, (a) "All Risk" property insurance in an amount equal to one hundred percent (100%) of the full replacement value of the Building (less, at Landlord's election, the cost labor and materials for construction of the Building foundation); and (b) comprehensive general public liability insurance with minimum limits of \$2,000,000 for injury to or death of one or more persons in any one occurrence and \$2,000,000 for damage or destruction of property in any one occurrence. Notwithstanding any contribution by Tenant to the cost of insurance premiums, as provided hereinabove, Landlord shall not be required to carry insurance of any kind on Tenant's Property, and Tenant hereby agrees that Tenant shall have no right to receive any proceeds from any insurance policies carried by Landlord.

Section 14.03. Tenant shall not knowingly conduct or permit to be conducted in the Premises any activity, or place any equipment in or about the Premises or the Building, which will invalidate the insurance coverage in effect or increase the rate of fire insurance or other insurance on the Premises or the Building, and Tenant shall comply with all requirements and regulations of Landlord's casualty and liability insurer. In no event shall Tenant introduce or permit to be kept on the Premises or brought into the Building any dangerous, noxious, radioactive or explosive substance.

Section 14.04. Landlord and Tenant each hereby waive any right of subrogation and right of recovery or cause of action for injury or loss to the extent that such injury or loss is covered by fire, extended coverage, "All Risk" or similar policies covering real property or personal property (or which would have been covered if Tenant or Landlord, as the case may be, was carrying the insurance required by this Lease). Said waivers shall be in addition to, and not in limitation or derogation of any other waiver or release contained in this Lease. Landlord and Tenant shall each obtain waiver of subrogation endorsements to their respective property or casualty insurance policies.

-32-

ARTICLE 15  
DAMAGE BY FIRE OR OTHER CAUSE

Section 15.01. If the Building, the Project or any portion thereof is damaged or destroyed by any casualty to the extent that, (a) in Landlord's reasonable judgment, repair of such damage or destruction would not be economically feasible, (b) the damage or destruction to the Building or Project cannot reasonably be repaired within 300 days after the date of such damage or destruction, or if the proceeds from Landlord's insurance remaining after any

required payment to any mortgagee or lessor of Landlord are insufficient to repair such damage or destruction, Landlord and/or Tenant shall have the right to terminate this Lease by giving notice of such termination to the other party, within sixty (60) days after the date of such damage or destruction.

Section 15.02. If the Premises or any portion thereof is damaged or destroyed by any casualty and the Premises cannot reasonably be rebuilt or made fit for Tenant's purposes within 180 after the date of such damage or destruction, or if the proceeds from Landlord's insurance remaining after any required payment to any mortgagee or lessor of Landlord are insufficient to repair such damage or destruction, then either Landlord or Tenant shall have the right, at the option of either party, to terminate this Lease by giving the other written notice, within sixty (60) days after such damage or destruction.

Section 15.03. If the Building, the Project or the Premises is damaged or destroyed and this Lease is not terminated under Section 15.01 or Section 15.02 and such damage or destruction renders the Premises partially but not wholly untenable, this Lease shall not terminate, but Rent shall be abated in proportion to the area of the Premises which cannot reasonably be used or occupied by Tenant as a result of such casualty. Landlord shall in such event, within a reasonable time after the date of such destruction or damage, subject to force majeure and to Tenant Delay and to the extent and availability of insurance proceeds, restore the Premises to as near the same condition as existed prior to such partial damage or destruction.

Section 15.04. If the Building or the Premises or any portion thereof is damaged by fire or other casualty at any time during the last year of the Term to the extent that it will take more than sixty (60) days to repair the damage, then either Landlord or Tenant shall have the right, at the option of either party, to terminate this Lease by giving written notice to the other within sixty (60) days after the date of such fire or other casualty.

Section 15.05. Landlord shall have no liability to Tenant for inconvenience, loss of business, or annoyance arising from any repair of any portion of the Premises or the Building. In the event of destruction or damage to the Building, the Project or the Premises for which this Lease is not terminated pursuant to Section 15.01 or 15.02, Landlord shall within a reasonable time after the date of such destruction or damage, subject to force majeure and Tenant Delay, restore the Building and the Premises to as near the same condition as existed prior to such partial damage or destruction.

Section 15.06. If this Lease is terminated pursuant to Sections 15.01, 15.02, or 15.04, then all Rent shall be apportioned and paid to the date on which beneficial occupancy is prohibited and

-33-

Tenant shall immediately vacate the Premises according to such notice of termination; provided, however, that those provisions of this Lease which are designated to cover matters of termination and the period thereafter shall survive the termination hereof.

#### ARTICLE 16 CONDEMNATION

Section 16.01. If any portion of the Building, the Premises or the Project are taken or condemned by eminent domain or by any conveyance in lieu thereof (such taking, condemnation or conveyance in lieu thereof being hereinafter referred to as "condemnation"), which taking is such that the Building or the Premises cannot reasonably be restored in an economically feasible manner for use substantially as originally designed, then Landlord and/or Tenant shall have the right to terminate this Lease, effective as of the date specified in a written notice of termination to the other party and Rent shall be apportioned as of the date of the earlier of such condemnation or termination.

Section 16.02. In the event any portion of the Parking Facilities shall be taken by condemnation, which taking is such that the Parking Facilities cannot reasonably be restored in an economically feasible manner for use substantially as originally designed, including in such consideration the possible use of additional parking facilities in the vicinity of the Building, then Landlord or Tenant shall have the right to terminate this Lease, effective as of the date specified in a written notice of termination to the other.

Section 16.03. In the event that a portion of the Premises shall be taken

by condemnation, and this Lease is not terminated pursuant to Section 16.01, then this Lease shall be terminated as of the date of such condemnation as to the portion of the Premises so taken, this Lease shall remain in full force and effect as to the remainder of the Premises and the Rent payable by Tenant shall be equitably adjusted.

Section 16.04. All compensation awarded or paid upon a condemnation of any portion of the Project shall belong to and be the property of Landlord without participation by Tenant. Nothing herein shall be construed, however, to preclude Tenant from prosecuting any claim directly against the condemning authority for loss of business, loss of good will, moving expenses, damage to, and cost of removal of, trade fixtures, furniture and other personal property belonging to Tenant; provided, however, that Tenant shall make no claim which shall diminish or adversely affect any award claimed or received by Landlord.

Section 16.05. If any portion of the Project other than the Building or the Parking Facilities is taken by condemnation, this Lease shall be and remain unaffected by such condemnation and Tenant shall continue to pay in full the Rent payable under this Lease. If the temporary use or occupancy of all or any part of the Premises shall be taken by condemnation during the Term, this Lease shall be and remain unaffected by such condemnation and Tenant shall continue to pay in full the Rent payable hereunder and Tenant shall be entitled to the condemnation award attributable to such temporary use or occupancy of all or any part of the Premises.

-34-

Section 16.06. Landlord agrees that in the event of a condemnation of the any portion of the Project for which this Lease is not terminated under this Article, Landlord shall within a reasonable time after the date of such condemnation, subject to force majeure and Tenant Delay and the availability of the condemnation proceeds, restore the Project to as near the same condition as existed prior to such condemnation to the extent reasonably feasible.

#### ARTICLE 17 INDEMNIFICATION

Section 17.01. Tenant and its agents employees, representatives, contractors, licensees and invitees, hereby waive all claims against, and agree to indemnify and hold harmless, Landlord for damage to any property or injury to, or death of, any person in, upon, or about the Project, including the Premises, arising at any time and from any cause other than solely by reason of the gross negligence or willful misconduct of Landlord, its agents, employees, representatives, or contractors. Landlord shall not be liable for any such damage caused by other tenants or persons in the Building or by occupants of adjacent property thereto, or by the public, or caused by construction (unless caused solely by the gross negligence or willful misconduct of Landlord) or by any private, public or quasi-public work. Tenant, for itself and its agents, employees, representatives, contractors, successors, assigns, invitees and licensees, expressly assumes all risks of injury or damage to person or property, whether proximate or remote, resulting from the condition of the Project or any part thereof. Tenant's foregoing indemnity shall include attorneys' fees, investigation costs, and all other reasonable costs and expenses incurred by Landlord in any connection therewith. The provisions of this Article 17 shall survive the expiration or termination of this Lease with respect to any damage, injury, or death occurring before such expiration or termination. Reference is hereby made to Section 7.05 for additional provisions regarding Tenant's indemnification obligations.

Section 17.02. Landlord shall, and hereby agrees to, indemnify and hold Tenant harmless from any damages in connection with loss of life, bodily or personal injury or property damage arising from any occurrence in the Common Areas of the Project when not solely the result of the gross negligence or willful misconduct of Tenant, and its agents, employees, representatives, contractors, licensees, and invitees. The provisions of this Article 17 shall survive the expiration or termination of this Lease with respect to any damage, injury, or death occurring before such expiration or termination.

-35-

#### ARTICLE 18 SUBORDINATION AND ESTOPPEL CERTIFICATES



Section 18.01. Subject to the terms and conditions set forth in Section 18.05, this Lease and all rights of Tenant hereunder are subject and subordinate to all underlying leases now or hereafter in existence, and to any supplements, amendments, modifications, and extensions of such leases heretofore or hereafter made and to any deeds of trust, mortgages or other security instruments which now or hereafter cover all or any portion of the Project or any interest of Landlord therein, and to any advances made on the security thereof, and to any increases, renewals, modifications, consolidations, replacements, and extensions of any of such deeds of trust, mortgages or other security instruments. Upon demand following Landlord's delivery of the non-disturbance agreement required under Section 18.05, Tenant shall execute, acknowledge, and deliver to Landlord any further instruments and certificates evidencing such subordination as Landlord, and any mortgagee or lessor of Landlord shall reasonably require. Tenant shall not unreasonably withhold, delay, or defer its written consent to reasonable modifications in this Lease which are a condition of any financing for the Project or any reciprocal easement agreement with facilities in the vicinity of the Building, provided that such modifications do not increase the obligations of Tenant hereunder or affect Tenant's use and enjoyment of the Premises.

Section 18.02. Notwithstanding the generality of the foregoing provisions of Section 18.01, any mortgagee or lessor of Landlord shall have the right at any time to subordinate any such mortgage or underlying lease to this Lease, or to any of the provisions hereof, on such terms and subject to such conditions as such mortgagee or lessor of Landlord may consider appropriate in its discretion. At any time, before or after the institution of any proceedings for the foreclosure of any such mortgage, or the sale of the Building under any such mortgage, or the termination of any underlying lease, Tenant shall, upon request of such mortgagee or any person or entities succeeding to the interest of such mortgagee or the purchaser at any foreclosure sale ("Successor Landlord"), automatically become the Tenant (or if the Premises has been validly subleased, the subtenant) of the Successor Landlord, without change in the terms or other provisions of this Lease (or, in the case of a permitted sublease, without change in this Lease or in the instrument setting forth the terms of such sublease); provided, however, that the Successor Landlord shall not be (i) bound by any payment made by Tenant of Rent or Additional Rent for more than one (1) month in advance, except for a Security Deposit previously paid to Landlord, (ii) bound by any termination, modification, amendment or surrender of the Lease done without the Successor Landlord's consent, (iii) liable for any damages or subject to any offset or defense by Tenant to the payment of Rent by reason of any act or omission of any prior landlord (including Landlord), or (iv) personally or corporately liable, in any event, beyond the limitations on landlord liability set forth in Section 25.05 of this Lease. This agreement of Tenant to attorn to a Successor Landlord shall survive any such foreclosure sale, trustee's sale conveyance in lieu thereof or termination of any underlying lease. Tenant shall upon demand at any time, before or after any such foreclosure or termination execute, acknowledge, and deliver to the Successor Landlord any written instruments and certificates evidencing such attornment as such Successor Landlord may reasonably require.

Section 18.03. Tenant shall, from time to time, within ten (10) Business Days after request from Landlord, or from any mortgagee or lessor of Landlord, execute, acknowledge and deliver in

-36-

recordable form a certificate certifying, to the extent true, that this Lease, as the Lease may have been amended, is in full force and effect; that the Term has commenced and the full amount of the Rent then accruing hereunder; the dates to which the Rent has been paid; that Tenant has accepted possession of the Premises and that any improvements required by the terms of this Lease to be made by Landlord have been completed to the satisfaction of Tenant; the amount, if any, that Tenant has paid to Landlord as a Security Deposit; that no Rent under this Lease has been paid more than thirty (30) days in advance of its due date; that the address for notices to be sent to Tenant is as set forth in this Lease, or has been changed as set forth in the certificate; that Tenant has no charge, lien, or claim of offset under this Lease or otherwise against Rent or other charges due or to become due hereunder; that, to the knowledge of Tenant, Landlord is not then in default under this Lease; and such other factual matters as may be reasonably requested by Landlord or any mortgagee or lessor of Landlord. Any such certificate may be relied upon by Landlord, any Successor Landlord, or any mortgagee or lessor of Landlord. Landlord agrees periodically to furnish, when reasonably requested in writing by Tenant, certificates signed by Landlord containing information similar to the foregoing information.

Section 18.04. No act or failure to act on the part of Landlord which would entitle Tenant under the terms of this Lease, or by law, to be relieved of Tenant's obligations hereunder or to terminate this Lease, shall result in a release of such obligations or a termination of this Lease unless (a) Tenant has given notice by registered or certified mail to any mortgagee or lessor of Landlord whose address shall have been furnished to Tenant, and (b) Tenant offers such mortgagee or lessor of Landlord a reasonable opportunity to cure the default, including time to obtain possession of the Premises by power of sale or judicial foreclosure, if such should prove necessary to effect a cure.

Section 18.05. Landlord represents to Tenant that, as of the date of this Lease, the Project is not subject to the lien of any mortgage or deed of trust. Any provision of this Lease to the contrary notwithstanding, Tenant's interest under this Lease shall be superior to each underlying lease, deed of trust, mortgage or other security instrument which hereafter covers all or any portion of the Project or any interest of Landlord therein, until Tenant is provided with a commercially reasonable subordination, non-disturbance and attornment agreement in recordable form from the lessor under such underlying lease or the party secured by such deed of trust, mortgage or other security instrument. Upon delivery of such agreement to Tenant, Tenant shall deliver a fully executed copy thereof to Landlord and to such lessor or secured party. Tenant shall execute and deliver to Landlord, if Landlord so requests at any time, a release of Tenant's subordination, non-disturbance and attornment agreement which Landlord shall be authorized to record among the appropriate public records only upon the expiration or earlier termination of this Lease or upon the occurrence of an Event of Default.

-37-

#### ARTICLE 19 SURRENDER OF THE PREMISES

Section 19.01. By no later than 11:59 p.m. of the Expiration Date or the date of earlier termination of this Lease, or upon any re-entry of the Premises by Landlord without terminating this Lease pursuant to Section 13.02(b), Tenant, at Tenant's sole cost and expense, shall peacefully vacate and surrender the Premises to Landlord in good order, broom clean and in the same condition as at the beginning of the Term or as the Premises may thereafter have been improved, reasonable use and wear thereof and repairs which are Landlord's obligations under Articles 9, 15 and 16 only excepted, and Tenant shall remove all of Tenant's Property and turn over all keys for the Premises to Landlord.

Section 19.02. Should Tenant continue to hold the Premises after the expiration or earlier termination of this Lease, such holding over, unless otherwise agreed to by Landlord in writing, shall constitute and be construed as a tenancy at sufferance at monthly installments of Rent equal to 125% for the first two (2) months of such holdover, 175% for the third month of such holdover and 200% for each month thereafter, of the monthly portion of Base Rent in effect as of the date of expiration or earlier termination, and subject to all of the other terms, charges and expenses set forth herein except any right to renew this Lease or to expand the Premises or any right to additional services. In no event shall Tenant be responsible or liable for consequential, punitive or speculative damages of any type or kind due to such holdover. The provisions of this Article 19 shall survive the expiration or earlier termination of this Lease.

#### ARTICLE 20 LANDLORD'S RIGHT TO INSPECT

Section 20.01. Landlord shall retain duplicate keys to all doors of the Premises. Tenant shall provide Landlord with new keys should Tenant receive Landlord's consent to change the locks. Landlord shall have the right to enter the Premises upon reasonable advance notice to Tenant not to exceed twenty-four (24) hours (or, in the event of an emergency, at any hour and without advance notice), except that Tenant shall have the right to escort Landlord during any such entry. In addition, Tenant shall have the right to designate certain areas of the Premises as being secured as required by any governmental agency and Landlord will not enter those areas except in the event of an emergency. Entry by the housekeeping staff and by Landlord's engineering personnel, each of whom will be issued a security card by Tenant, shall not be subject to the aforementioned advance notice requirement. When Landlord enters the Premises, Landlord shall use reasonable efforts to minimize interference with Tenant's business. Landlord shall not be liable to Tenant for the exercise of Landlord's

rights under this Article 20 and Tenant hereby waives any claims for damages for any injury, inconvenience or interference with Tenant's business, any loss of occupancy or quiet enjoyment of the Premises.

-38-

ARTICLE 21  
SECURITY DEPOSIT

Section 21.01. Tenant's Security Deposit, in the form of a letter of credit, shall be held by Landlord as security for the performance of Tenant's obligations under this Lease. Unless required by applicable law, Landlord shall not be required to keep the Security Deposit segregated from other funds of Landlord. Tenant shall not assign or in any way encumber the Security Deposit. Upon the occurrence of an Event of Default by Tenant, Landlord shall have the right, without prejudice to any other remedy, to use the Security Deposit, or portions thereof, to the extent necessary to pay any arrearages in Rent, and any other damage, injury or expense. Following any such application of all or any portion of the Security Deposit, Tenant shall pay to Landlord, on demand, the amount so applied in order to restore the Security Deposit to its original amount. Provided that no Event of Default then exists on each of the fourteenth (14th), the twenty-sixth (26th) and the thirty-eighth (38th) monthly anniversaries of the Commencement Date, the Security Deposit shall be reduced by \$250,000 on such day or promptly thereafter if any such Event of Default is thereafter cured. If upon the termination of this Lease Landlord holds the Security Deposit or a portion thereof pursuant to the terms of this Lease, Tenant is not in default at the termination of this Lease and Tenant surrenders the Premises in accordance with the terms of Article 19 hereof, any remaining balance of the Security Deposit shall be returned to Tenant within thirty (30) days after such termination. If Landlord transfers, sells or conveys its interest in the Premises during the Term, Landlord shall assign the Security Deposit to the transferee (and concurrently therewith, send notice and evidence of such assignment to Tenant), and thereafter Landlord shall have no further liability to Tenant for the Security Deposit. Landlord shall have the right to approve (which approval will not be unreasonably withheld, delayed or conditioned) the Security Deposit letter of credit issuer. Landlord hereby preapproves NationsBank, N.A. as the Security Deposit letter of credit issuer, but Tenant shall not be required to use NationsBank, N.A. as such issuer.

ARTICLE 22  
BROKERAGE

Section 22.01. Tenant and Landlord each represent and warrant to the other that it has not entered into any agreement with, or otherwise had any dealings with, any broker or agent in connection with the negotiation or execution of this Lease which could form the basis of any claim by any such broker or agent for a brokerage fee or commission, finder's fee, or any other compensation of any kind or nature in connection herewith, other than with Broker, and each party shall, and hereby agrees to, indemnify and hold the other harmless from all costs (including court costs, investigation costs, and attorneys' fees), expenses, or liability for commissions or other compensation claimed by any broker or agent with respect to this Lease which arise out of any agreement or dealings, or alleged agreement or dealings, between the indemnifying party and any such agent or broker, other than with Broker. This provision shall survive the expiration or earlier termination of this Lease. Landlord shall pay Broker's commission pursuant to the terms of a separate agreement between Landlord and Broker.

-39-

ARTICLE 23  
OBSERVANCE OF RULES AND REGULATIONS

Section 23.01. Tenant and Tenant's servants, employees, agents, visitors, and licensees shall observe faithfully and comply strictly with all Rules and Regulations (herein so called) attached to this Lease as such Rules and Regulations may be changed from time to time. Landlord shall at all times have the right to make reasonable changes in and additions to such Rules and Regulations; provided Landlord gives Tenant prior written notice of such changes. To the extent that the Rules and Regulations (including any new Rules and Regulations or changes to any Rules and Regulations) conflict with the terms of this Lease, the terms of this Lease shall control. No new Rules and Regulations nor any changes to any existing Rules and Regulations shall be

enforced against Tenant to the extent that such Rules and Regulations would materially interfere with the lawful conduct of Tenant's business in the Premises. Landlord will use commercially reasonable efforts to enforce the Rules and Regulations in a uniform and non-discriminatory manner against all tenants and other occupants. Landlord shall not be liable to Tenant for the failure or refusal by any other tenant, guest, invitee, visitor, or occupant of the Building to comply with any of the Rules and Regulations.

ARTICLE 24  
NOTICES

Section 24.01. All notices, consents, demands, requests, documents or other communications (other than the payment of Rent by Tenant) required or permitted under this Lease (collectively, "notices") must be sent to the other party either by hand delivery (with signed receipt), by air express courier (with signed receipt) or by United States mail, postage prepaid, certified, return receipt requested. All notices shall be deemed given when received or rejected. The addresses of the parties for notices are set forth in Article 1, or any such other addresses subsequently specified by each party in notices given pursuant to this Section 24.01.

ARTICLE 25  
MISCELLANEOUS

Section 25.01. Professional and Other Fees. In any action or proceeding  
-----  
brought by either party against the other under this Lease, the prevailing party shall be entitled to recover from the other party its actual and reasonable professional fees for attorneys, appraisers and accountants, its investigation costs, and any other legal expenses and court costs incurred by the prevailing party in such action or proceeding.

Section 25.02. Reimbursements. Wherever the Lease requires Tenant to  
-----  
reimburse Landlord for the cost of any item, such costs will be the reasonable and customary charge periodically established by Landlord for such item, including a fee for Landlord's manager's supervision in connection with providing such item.

-40-

Section 25.03. Severability. Every agreement contained in this Lease is  
-----  
and shall be construed as, a separate and independent agreement. If any term of this Lease or the application thereof to any person or circumstances shall be invalid or unenforceable, the remaining agreements contained in this Lease shall not be affected.

Section 25.04. Nonmerger. There shall be no merger of this Lease with any  
-----  
ground leasehold interest or the fee estate in the Project or any part thereof by reason of the fact that the same person may acquire or hold, directly or indirectly, this Lease or any interest in this Lease as well as any ground leasehold interest or fee estate in the Project or any interest in such fee estate.

Section 25.05. Landlord's Liability. Anything contained in this Lease to  
-----  
the contrary notwithstanding, Tenant agrees that Tenant shall look solely to the estate and property of Landlord in the Project and to Landlord's equity interest, if any, in any insurance, condemnation or sale proceeds arising from the Project, for the collection of any judgment or other judicial process requiring the payment of money by Landlord for any default or breach by Landlord under this Lease, subject, however, to the prior rights of any mortgagee or lessor of the Project. No other assets of Landlord or any partners, shareholders, or other principals of Landlord shall be subject to levy, execution or other judicial process for the satisfaction of Tenant's claim.

Section 25.06. Force Majeure. Whenever the period of time is herein  
-----  
prescribed for action to be taken by Landlord or Tenant, Landlord or Tenant shall not be liable or responsible for, and there shall be excluded from the computation for any such period of time, any delays due to force majeure, which term shall include strikes, riots, acts of God, shortages of labor or materials,

war, governmental approvals, laws, regulations, or restrictions, or any other cause of any kind whatsoever which is beyond the reasonable control of Landlord or Tenant. Force majeure shall not excuse or delay Tenant's obligation to pay Rent or any other amount due under this Lease nor shall force majeure delay the Commencement Date except to the extent that a force majeure event occurs in connection with Landlord's design, construction or installation of Leasehold Improvements at the Premises.

Section 25.07. Headings. The article headings contained in this Lease are

-----

for convenience only and shall not enlarge or limit the scope or meaning of the various and several articles hereof. Words in the singular number shall be held to include the plural, unless the context otherwise requires.

Section 25.08. Successors and Assigns. All agreements and covenants herein

-----

contained shall be binding upon the respective heirs, personal representatives, successors and assigns or the parties hereto. If there be more than one Tenant, the obligations hereunder imposed upon Tenant shall be joint and several. If there is a guarantor of Tenant's obligations hereunder, Tenant's obligations shall be joint and several obligations of Tenant and such guarantor, and Landlord need not first proceed against Tenant hereunder before proceeding against such guarantor, and any such guarantor shall not be released from its guarantee for any reason, including any amendment of this Lease, any forbearance by Landlord or waiver of any of Landlord's rights, the failure to give Tenant or such guarantor any notices, or the release of any party liable for the payment or performance of

-41-

Tenant's obligations hereunder. Notwithstanding the foregoing, nothing contained in this Section 25.08 shall be deemed to override Article 8.

Section 25.09. Landlord's Representations. Neither Landlord nor

-----

Landlord's agents or brokers have made any representations or promises with respect to the Premises, the Building, the Parking Facilities, the Land, or any other portions of the Project except as herein expressly set forth and all reliance with respect to any representations or promises is based solely on those contained herein. No rights, easements, or licenses are acquired by Tenant under this Lease by implication or otherwise except as, and unless, expressly set forth in this Lease.

Section 25.10. Entire Agreement; Amendments. This Lease and the Exhibits

-----

and Riders attached hereto set forth the entire agreement between the parties and cancel all prior negotiations, arrangements, brochures, agreements, and understandings, if any, between Landlord and Tenant regarding the subject matter of this Lease. No amendment or modification of this Lease shall be binding or valid unless expressed in writing executed by both parties hereto.

Section 25.11. Authority. If Tenant or Landlord signs as a corporation,

-----

execution hereof shall constitute a representation and warranty by such executing party that such party is a duly organized and existing corporation, that party has been and is qualified to do business in the jurisdiction in which the Land is located and in good standing with the jurisdiction in which the Land is located, that the corporation has full right and authority to enter into this Lease, and that all persons signing on behalf of the corporation were authorized to do so by appropriate corporate action. If Tenant or Landlord signs as a partnership, trust, or other legal entity, execution hereof shall constitute a representation and warranty by such executing party that such party has complied with all applicable laws, rules, and governmental regulations relative to such party's right to do business in the jurisdiction in which the Land is located, that such entity has the full right and authority to enter into this Lease, and that all persons signing on behalf of such party were authorized to do so by any and all necessary or appropriate partnership, trust, or other actions.

Section 25.12. Governing Law. This Lease shall be governed by and

-----

construed under the laws of the state or commonwealth in which the Land is located. Any action brought to enforce or interpret this Lease shall be brought in the court of appropriate jurisdiction in the county in which the Land is located.

Section 25.13. Interpretation. Should any provision of this Lease require

-----  
judicial interpretation, Landlord and Tenant hereby agree and stipulate that the court interpreting or considering same shall not apply the presumption that the terms hereof shall be more strictly construed against a party by reason of any rule or conclusion that a document should be construed more strictly against the party who itself or through its agents prepared the same, it being agreed that all parties hereto have participated in the preparation of this Lease and that each party had full opportunity to consult legal counsel of its choice before the execution of this Lease.

Section 25.14. Tenant's Use of Name of the Building. Tenant shall not,

-----  
without the prior written consent of Landlord, use the name of the Building for any purpose other than as the address of the business to be conducted by Tenant in the Premises, and Tenant shall not do or permit the

-42-

doing of anything in connection with Tenant's business or advertising (including brokers' flyers promoting sublease space) which in the reasonable judgment of Landlord may reflect unfavorably on Landlord or the Building or confuse or mislead the public as to any apparent connection or relationship between Tenant and Landlord, the Building, or the Land.

Section 25.15. Ancient Lights. Any elimination or shutting off of light

-----  
air, or view by any structure which may be erected on lands adjacent to the Building shall in no way affect this Lease and Landlord shall have no liability to Tenant with respect thereto.

Section 25.16. Changes to Project by Landlord. Landlord shall have the

-----  
unrestricted right to make changes to portions of the Project (which do not materially and adversely affect Tenant's use, access and enjoyment of the Premises) in Landlord's reasonable discretion for the purpose of improving or otherwise changing access or security at the Project or the flow of pedestrian and vehicular traffic therein. Subject to the provisions of Article 6, Landlord shall have the right at any time upon prior written notice to Tenant, but without the same constituting an actual or constructive eviction and without incurring any liability to Tenant therefor, to change the arrangement or location of entrances or passageways, doors and doorways, corridors, elevators, stairs, bathrooms, or any other Common Areas so long as reasonable access to the Premises remains available. Landlord shall also have the right to (a) rearrange, change, expand or contract portions of the Project constituting Common Areas (including parking areas (provided, however, Landlord shall only have the right to provide off-site parking on a temporary basis and only if the off-site parking area is within reasonable proximity to the Project) (b) to use Common Areas while engaged in making improvements, repairs or alterations to the Project, or any portion thereof, and (c) to do and perform such other acts and make such other changes in to or with respect to the Project, or any portion thereof, as Landlord may, in the exercise of sound business judgment, deem to be appropriate. Landlord shall be entitled to change the name of the Building or the Project; provided, however, if Landlord changes the name of the Project, Landlord shall give Tenant prior written notice of such change and Landlord shall pay Tenant for the costs incurred by Tenant (not to exceed \$15,000) arising from such name change for new stationery, business cards, envelopes and similar items. Landlord shall have the right to close, from time to time, the Common Areas and other portions of the Project for such temporary periods as Landlord deems legally sufficient to evidence Landlord's ownership and control thereof and to prevent any claim of adverse possession by, or any implied or actual dedication to, the public or any party other than Landlord. Any provision of this Lease to the contrary notwithstanding, Landlord agrees that Landlord will not name the Building after a tenant of the Building during the initial Term of this Lease. If Landlord desires to name the Building after a tenant of the Building after the initial Term of this Lease, Landlord must notify Tenant of the name of such tenant at least fifteen (15) months prior to the first day of the Extension Term (as defined in Rider No. 3-Extension Option) or else Landlord shall be deemed to have agreed to not to name the Project after any other tenant(s) during the extended Term of this Lease.

Section 25.17. Time of Essence. Time is of the essence of this Lease.

-----

Section 25.18. Landlord's Acceptance of Lease. The submission of this

-----  
Lease to Tenant shall not be construed as an offer and Tenant shall not have any rights with respect thereto unless Landlord executes a copy of this Lease and delivers the same to Tenant.

-43-

Section 25.19. Financial Statements. At any time during the term of this

-----  
Lease, Tenant shall, upon ten (10) Business Days prior written notice from Landlord, provide Landlord with a current financial statement and financial statements (or annual report and Form 10-K, as applicable) of the two (2) years prior to the current financial statement year. Such statement shall be prepared in accordance with generally accepted accounting principles and, if such is the normal practice of Tenant, shall be audited by an independent certified public accountant.

Section 25.20. Waiver of Trial by Jury. Landlord and Tenant each hereby

-----  
waive trial by jury in any action, proceeding or counterclaim brought by Landlord of Tenant against the other on any matters whatsoever arising out of or in any way connected with this Lease.

ARTICLE 26  
SUBSTITUTION SPACE

[Intentionally Omitted]

ARTICLE 27  
OTHER DEFINITIONS

When used in this Lease, the terms set forth hereinbelow shall have the following meanings: (a) [Intentionally Omitted]; (b) "Common Areas" shall mean those certain areas and facilities of the Building and the Parking Facilities and those certain improvements to the Land which are from time to time provided by Landlord for the use of tenants of the Building and their employees, clients, customers, licensees and invitees or for use by the public, which facilities and improvements include any and all corridors, elevators, elevator foyers, vending areas, bathrooms, electrical and telephone rooms, mechanical rooms, janitorial areas and other similar facilities of the Building and of the Parking Facilities and any and all grounds, parks, landscaped areas, outside sitting areas, sidewalks, walkways, and generally all other improvements located on the Land, or which connect the Land to other buildings; (c) the words "day" or "days" shall refer to calendar days, except where "Business Days" are specified; (d) the "terms of this Lease" shall be deemed to include all terms, covenants, conditions, provisions, obligations, limitations, restrictions, reservations and agreements contained in this Lease; (e) a "year" shall mean a calendar year; and (f) the words "include" and "including" shall be construed as if followed by phrase "without being limited to."

ARTICLE 28  
OFFICE PARK DUES

Landlord covenants to promptly pay when due during the Term all Office Park owner association dues to the extent not being disputed by Landlord.

[SIGNATURE PAGE FOLLOWS]

-44-

IN WITNESS WHEREOF, Landlord and Tenant have caused this Lease Agreement to be executed under seal as of the day and year set forth on the cover page hereof.

LANDLORD:

PRENTISS PROPERTIES ACQUISITION PARTNERS, L.P.,  
a Delaware limited partnership

By: PRENTISS PROPERTIES I, INC.,  
a Delaware corporation

General Partner

By: /s/ Michael J. Cooper [SEAL]

-----  
Michael J. Cooper  
Vice President

By: /s/ J. Kevan Dilbeck [SEAL]

-----  
J. Kevan Dilbeck  
Corporate General Counsel and VP

TENANT:

MICROSTRATEGY, INC.,  
a Delaware corporation

By: /s/ Mark Lynch [SEAL]

-----  
Name: Mark Lynch  
Title: CFO

-45-

RIDER NO. 1

RULES AND REGULATIONS

1. Sidewalks, doorways, vestibules, halls, stairways and similar areas shall not be obstructed by tenants or their officers, agents, servants, and employees, or used for any purpose other than ingress and egress to and from the Premises and for going from one part of the Building to another part of the Building.

2. Plumbing fixtures and appliances shall be used only for the purpose for which constructed, and no sweepings, rubbish, rags, or other unsuitable material shall be thrown or placed therein. The cost of repairing any stoppage or damage resulting to any such fixtures or appliances from misuse on the part of a tenant or such tenant's officers, agents, servants, and employees shall be paid by such tenant.

3. No signs, posters, advertisements, or notices shall be painted or affixed on any of the windows or doors, or other part of the Building, except of such color, size, and style, and in such places, as shall be first approved in writing by the building manager. No nails, hooks, or screws shall be driven into or inserted in any part of the Building, except by Building maintenance personnel.

4. Directories will be placed by Landlord, at Landlord's own expense, in the lobby of the Building. No other directories shall be permitted.

5. The Premises shall not be used for conducting any barter, trade, or exchange of goods or sale through promotional give-away gimmicks or any business involving the sale of second-hand goods, insurance salvage stock, or fire sale stock, and shall not be used for any auction or pawnshop business, any fire sale, bankruptcy sale, going out of business sale, moving sale, bulk sale, or any other business which, because of merchandising methods or otherwise, would tend to lower the first-class character of the Building.

6. Tenants shall not do anything, or permit anything to be done, in or about the Building, or bring or keep anything therein, that will in any way increase the possibility of fire or other casualty or obstruct or interfere with the rights of, or otherwise injure or annoy, other tenants, or do anything in conflict with the valid pertinent laws, rules, or regulations of any governmental authority.

7. Tenant shall not place a load upon any floor of the Premises which exceeds to floor load per square foot which such floor was designed to carry or which is allowed by applicable building code. Landlord may prescribe the weight and position of all safes and heavy installations which Tenant desires to place



in the Premises so as properly to distribute the weight thereof. All damage done to the Building by the improper placing of heavy items which overstress the floor will be repaired at the sole expense of the Tenant.

8. A tenant shall notify the building manager when safes or other heavy equipment are to be taken into or out of the Building. Moving of such items shall be done under the supervision of the building manager, after receiving written permission from him/her.

-1-

9. Corridor doors, when not in use, shall be kept closed.

10. All deliveries must be made via the service entrance and service elevators during normal business hours or as otherwise directed or scheduled by Landlord. Prior approval must be obtained from Landlord for any deliveries that must be received after normal business hours.

11. Each tenant shall cooperate with building employees in keeping the premises neat and clean.

12. Nothing shall be swept or thrown into the corridors, halls, elevator shafts, or stairways. No birds, animals (other than seeing eye dogs and other animals assisting physically challenged persons), or reptiles, or any other creatures, shall be brought into or kept in or about the Building.

13. Should a tenant require telegraphic, telephonic, annunciator, or any other communication service, Landlord will direct the electricians and installers where and how the wires are to be introduced and placed, and none shall be introduced or placed except as Landlord shall direct.

14. Tenants shall not make or permit any improper noises in the Building, or otherwise interfere in any way with other tenants or persons having business with them.

15. No equipment of any kind shall be operated on the Premises that could in any way annoy any other tenant in the Building without written consent of Landlord.

16. Business machines and mechanical equipment belonging to Tenant which cause noise and/or vibration that may be transmitted to the structure of the Building or to any leased space so as to be objectionable to Landlord or any tenants in the Building shall be placed and maintained by Tenant, at Tenant's expense, in setting of cork, rubber, or spring type noise and/or vibration eliminators sufficient to eliminate vibration and/or noise.

17. Tenants shall not use or keep in the Building any inflammable or explosive fluid or substance, or any illuminating material, unless it is battery powered, UL approved.

18. Tenant's employees or agents, or anyone else who desires to enter the Building after normal business hours, may be required to provide appropriate identification and sign in upon entry, and sign out upon leaving, giving the location during such person's stay and such person's time of arrival and departure, and shall otherwise comply with any reasonable access control procedures as Landlord may from time to time institute.

19. Landlord has the right to evacuate the Building in event of emergency or catastrophe.

20. If any governmental license or permit shall be required for the proper and lawful conduct of Tenant's business, Tenant, before occupying the Premises, shall procure and maintain such license or permit and submit it for Landlord's inspection. Tenant shall at all times comply with the terms of any such license or permit.

-2-

21. Neither Tenant, nor any other person visiting the Building shall be permitted to use tobacco products in the Building or the Premises, but Landlord shall provide an area in the Common Areas where such use is permitted, which area shall be reasonably accessible to the Building.

Rider No. 2

Base Rent Adjustments

-----

Base Rent shall be as follows for each year of the Term:

| Lease Year<br>(or portion thereof) | Base rent per Square<br>Foot of Net Rentable<br>Area of the Premises |
|------------------------------------|--|
| -----                              | -----  |
| 1                                  | \$28.50  |
| 2                                  | \$29.21  |
| 3                                  | \$29.94  |
| 4                                  | \$30.69  |
| 5                                  | \$31.46  |
| 6                                  | \$32.25  |
| 7                                  | \$33.05  |
| 8 through<br>Expiration Date       | \$33.88  |

Lease Year means each period of twelve (12) successive months commencing on the Commencement Date or any anniversary thereof, except that the last Lease Year of the Term might contain fewer than twelve (12) months if the period between the expiration of the then preceding Lease Year and the Expiration Date contains fewer than twelve (12) months.

If the original Expiration Date is extended by Tenant pursuant to any extension rights set forth in this Lease, the Base Rent payable during the extension term is set forth in the extension rights section of or rider to this Lease.

Rider No. 3

Extension Option

-----

1. Extension Term. Tenant may extend the Term of this Lease for a single period of five (5) years (the "Extension Term") by delivering Tenant's written notice of such extension to Landlord no later than twelve (12) months prior to the expiration of the original Term. Tenant may elect to extend this Lease only with respect to the entire Premises. The Extension Term shall commence immediately upon the expiration of the original Term. Any provision of this Lease to the contrary notwithstanding, Landlord agrees that Landlord will not name the Building after a tenant of the Building during the initial Term of this Lease. If Landlord desires to name the Building after a tenant of the Building after the initial Term of this Lease, Landlord must notify Tenant of the name of such tenant at least fifteen (15) months prior to the first day of the Extension Term and if Landlord fails to so notify Tenant, Landlord agrees that Landlord will not name the Project after any tenant(s) of the Building during the Extension Term.

2. Conditions to Exercise. Tenant's right to exercise its extension option shall be subject to the existence of the following conditions at the time of Tenant's exercise of its option to extend: (i) the Lease is in full force and effect; (ii) no Event of Default then exists; (iii) Tenant timely exercises such option, with time being of the essence; and (iv) the Tenant named herein shall not have assigned the Lease or sublet Tenant's rights to an aggregate of more

than one-half (1/2) of the original Premises.

3. Condition of Premises. Tenant shall accept the Premises in "as is"

-----  
condition for the Extension Term, and Landlord shall have no obligation to make any improvements or alterations to the Premises.

4. Rent.

----  
(a) Base Rent for the first year of the Extension Term shall be ninety-five percent (95%) of the Fair Market Value Rate (hereinafter defined) multiplied by the number of square feet of Net Rentable Area in the Premises as of the commencement date of the Extension Term. When Base Rent for the first year of the Extension Term is being determined, Base Rent for the second and all subsequent years of the Extension Term shall also be determined (in accordance with the same procedures as are set forth herein for determining the Fair Market Value Rate) based upon the then prevailing annual rent escalation factor in the applicable leasing market. If Tenant leases any storage space under this Lease, rent for the storage space shall also be determined at the time and in the manner herein provided for determining Base Rent for the Premises.

(b) For purposes hereof "Fair Market Value Rate" means the full service base year fair market rental rate per square foot of rentable area that would be agreed upon between a landlord and a tenant under a comparable lease for comparable space as to location, size, configuration, view and elevator exposure in a comparable building as to location, quality, age and reputation with a comparable build-out and a comparable term, assuming (as to the following items (1) through (4)) and taking into consideration (as to the remaining items) the following: (1) the landlord and tenant are typically motivated; (2) the landlord and tenant are informed and well advised and each is acting in what it considers its own best interest; (3) the Premises are fit for the Permitted Use; (4) in the event

-1-

the Premises has been destroyed or damaged by fire or other casualty, the Premises has been fully restored; and (5) tenant improvement allowance, free rent periods or any other special concessions (for example, design fees, moving allowances, commissions, free parking, etc.) will not be provided to Tenant (except that Tenant will not be required to pay a Permit Fee charge for parking other than as might be included in the Fair Market Value Rate) except to the extent that such allowances or concessions are reflected in the fair market rental rates then being quoted in which event the Fair Market Value Rate shall be reduced by the economic value of the allowances or concessions not offered to Tenant. Tenant shall also continue to pay Tenant's Share of Operating Costs and other charges pursuant to the terms of the Lease, but the Base Year shall be changed to be the calendar year ending on the last day of the calendar year immediately preceding the first day of Extension Term.

(c) Approximately twelve (12) months before the first day of the extended Term, Landlord shall send written notice to Tenant specifying the Fair Market Value Rate as determined by Landlord and, within fifteen (15) days after receipt of Landlord's notice, Tenant shall give Landlord written notice of Tenant's acceptance or challenge of Landlord's determination of the Fair Market Value Rate; provided, however, that if Tenant fails to respond within such fifteen

-----  
(15) day period, Tenant shall be deemed to not have accepted Landlord's determination of the Fair Market Value Rate, and Landlord and Tenant shall endeavor to reach an agreement as to the Fair Market Value Rate within thirty (30) days after the aforementioned fifteen (15) day period. Unless Landlord and Tenant agree in writing upon the Fair Market Value Rate, Landlord and Tenant shall not be deemed to have agreed upon the Fair Market Value Rate.

(d) If Landlord and Tenant are unable to agree upon the Fair Market Value Rate within the aforementioned time period, Landlord and Tenant shall each select an appraiser who shall each submit to the parties his or her determination of the Fair Market Value Rate. Landlord and Tenant shall notify the other party of the identity of the appraiser selected by the notifying party within ten (10) days after the expiration of the aforementioned thirty (30) day period. Each appraiser shall be a licensed real estate broker or an MAI-certified real estate appraiser having a minimum of ten (10) years' experience in the Tysons Corner/Merrifield office market. The appraisers shall be instructed to complete and submit their written appraisal reports to the other

party within thirty (30) days after the expiration of the ten (10) day selection period. If the determination of the Fair Market Value Rate submitted by Landlord's appraiser is less than the determination of the Fair Market Value Rate submitted by Tenant's appraiser, then the Fair Market Value Rate shall be the average of the two (2) determinations. If the determination of the Fair Market Value Rate submitted by Landlord's appraiser is greater than the determination of the Fair Market Value Rate submitted by Tenant's appraiser, the appraisers shall, within ten (10) days, appoint a third appraiser with the above-mentioned qualifications who shall select either Landlord's appraisal or Tenant's appraisal, whichever the third appraiser finds more accurately reflects the Fair Market Value Rate. The third appraiser shall be instructed to make his or her selection of the more accurate appraisal and notify Landlord and Tenant of such selection within ten (10) days after such appraiser's appointment. The foregoing notwithstanding, if the lower of the first two (2) appraisal amounts is within five percent (5%) of the higher of the first two (2) appraisal amounts, then the Fair Market Value Rate shall be the average of the such two (2) appraisal amounts. Landlord and Tenant shall each bear the costs of their respective appraisers. The expenses of the third appraiser shall be borne one-half (1/2) by Landlord and one-half (1/2) by Tenant.

-2-

5. No Abatement. Although rent abatement period(s) will be considered (if ----- applicable) in determining the Fair Market Value Rate pursuant to Section 4(b) of this Rider, Tenant will not be entitled to any "free rent" or other rental abatement period during any Extension Term, except as may be expressly provided in Articles 7, 15 or 16 of the Lease to the contrary.

6. Terms of Lease. Except as otherwise set forth in this Rider, Tenant's ----- lease of the Premises for the Extension Term shall be upon the same terms and conditions as are applicable for the original Term.

-3-

Rider No. 4

Signage  
-----

1. Signs.  
-----

a. So long as no Event of Default then exists and Tenant has not assigned the Lease (except that Tenant shall be permitted to have assigned the Lease to a Tenant Affiliate) nor sublet more than fifty (50%) percent of the total number of square feet of Net Rentable Area contained in the original Premises (except that Tenant shall be permitted to have sublet more than such percentage to a Tenant Affiliate under Section 8.03 of the Lease), Tenant shall have the (i) non-exclusive right to have the name "MicroStrategy" (or a reasonable variation thereof) or a Tenant Affiliate's name placed on the Building's monument sign (the "Monument Sign"); and (ii) exclusive right to have the name "MicroStrategy" (or a reasonable variation thereof) or a Tenant Affiliates' name placed at the top of the Building between columns A-9 and F-14 (as such columns are shown on the Base Building plans) (together with any replacements thereof, the "Parapet Sign"). The square footage of the Parapet Sign shall not exceed 45% of the Building's total parapet signage square footage allocation on the Commencement Date.

b. Landlord shall, at Landlord's expense, provide Tenant with identification on the main Building directory. There shall be no charge for the installation, maintenance or reasonable periodic updating or revision of Tenant's identification on the main Building directory.

c. Landlord shall, at Landlord's expense, provide Tenant with suite entry signage on each full floor that Tenant leases at the Building. Tenant may utilize Tenant's own graphics for Tenant's suite identification sign on each full floor that Tenant leases at the Building.

2. Installation. Tenant's name shall be installed on the Monument Sign by ----- Landlord's contractor. Tenant's sign contractor shall install the Roof Top Sign

under Landlord's supervision. Landlord shall have the right to reasonably approve Tenant's sign contractor. Landlord will place the Monument Sign at a location reasonably visible to visitors to the Building.

3. Specifications. Prior to installing the Parapet Sign, Tenant shall

-----  
furnish detailed plans and specifications (including the size, color, material, letter style, type of sign and all other relevant specifications) for the Parapet Sign (or any modification) to Landlord. If Landlord determines it to be reasonably necessary, Landlord shall have the right to require, at Tenant's expense, that a structural engineering report be prepared prior to Landlord's approval of the plans and specifications for the Parapet Sign. The size, color, material, lettering style, type of sign, location and all other aspects of the Monument Sign and the Parapet Sign shall be subject to Landlord's reasonable approval. Landlord shall have the right to prohibit any aspect of the Monument Sign or the Parapet Sign that Landlord reasonably determines not to be aesthetically

-1-

acceptable.

4. Rights Not Assignable. Tenant's rights under this Rider shall not be

-----  
assignable by Tenant other than to a Tenant Affiliate.

5. Costs.

-----  
a. Landlord shall pay for the purchase, installation, placement of Tenant's name and maintenance of the Monument Sign and of the main Building directory sign, but Tenant shall pay for any changes to any signs if Tenant changes its name.

b. Tenant shall pay all costs of design, manufacture, installation, operation, permitting, utilization, insurance, replacement, maintenance and removal of the Parapet Sign. To the extent Landlord incurs any costs (other than those expressly set forth herein as being payable by Landlord) in connection with the Parapet Sign, such costs shall constitute Additional Rent payable by Tenant upon thirty (30) days' written notice from Landlord.

6. Easements. Tenant is hereby granted such nonexclusive easements and

-----  
licenses for (i) use of any Building shafts required to install the electrical wiring; and (ii) access to the roof of the Building at all reasonable times and in emergencies in order to operate, maintain and repair the Parapet Sign.

7. Permits and Approvals. Tenant shall be responsible for procuring all

-----  
licenses and permits may be required for the installation, use or operation of the Parapet Sign, and Landlord makes no warranties or representations as to the permissibility or the permitability of the Parapet Sign under applicable laws, rules or regulations. Prior to installing the Parapet Sign, Tenant will deliver to Landlord reasonable evidence of Tenant's having obtained all necessary governmental approvals for the installation of the Parapet Sign. Landlord and Tenant will cooperate with each other to attempt to obtain from all owner associations, tenant associations, architectural control committees and similar organizations or authorities at the Office Park the consents or approvals of such parties to the extent required (as determined by Landlord) in connection with the Parapet Sign.

8. Installation. Upon Landlord's written approval of the plans and

-----  
specifications and of the installation contract for the Parapet Sign (which approval shall not be unreasonably withheld, conditioned or delayed), the Parapet Sign shall be installed by Tenant's sign contractor, which contractor shall be subject to Landlord's reasonable approval. Tenant shall (i) construct, maintain and operate in compliance with all applicable laws, rules and regulations of all Federal, state and local governmental authorities; (ii) have the Parapet Sign designed, installed, utilized and operated so as not to materially adversely affect or impact the structural or other systems of or serving the Building or Project; and (iii) have the Parapet Sign constructed in accordance with the Building rules and regulations or any other reasonable regulations promulgated by Landlord pertaining to construction in or on the

Building by third-party contractors. Upon installation of the Parapet Sign, Tenant shall furnish Landlord with an "as built" drawing of the Parapet

-2-

certified by Tenant's architect or such other professional as Landlord shall reasonably approve.

9. Removal. Upon the expiration or earlier termination of this Lease,

-----

Tenant shall remove the Parapet Sign and repair any damage to the Building caused by the Parapet Sign or the removal thereof.

-3-

Rider No. 5

Antenna

-----

1. Right to Install. So long as no Event of Default then exists, Tenant

-----

shall have the non-exclusive right, at its sole cost and expense, and for its own use and the use of Tenant's Affiliates only (and not for resale, subletting or other profit to Tenant), to purchase, install, maintain and operate upon a portion of the rooftop of the Building a single satellite dish or other antenna (the "Rooftop Communications Equipment"). Tenant shall furnish detailed plans and specifications for the Rooftop Communications Equipment (or modification) to Landlord for approval, which approval will not be unreasonably withheld, conditioned or delayed. Landlord shall have the right to approve, such approval not to be unreasonably withheld, conditioned or delayed, the location, size, height, width and weight of the Rooftop Communications Equipment and to prohibit any Rooftop Communications Equipment which Landlord determines not to be aesthetically acceptable. In no event shall the Rooftop Communications Equipment (including without limitation any guy wires) be located outside the portion of the rooftop allocated to Tenant. If Landlord determines it to be reasonably necessary, Landlord shall have the right to require, at Tenant's expense, that a structural engineering report be prepared prior to Landlord's approval of any proposed Rooftop Communications Equipment.

2. Costs. Tenant shall pay all costs of purchase, design, installation,

-----

operation, permitting, utilization, insurance, replacement, maintenance and removal of the Rooftop Communications Equipment. Any provision of the Lease or this Rider to the contrary notwithstanding, Landlord shall have the right to separately meter the Rooftop Communications Equipment for electricity or to cause Tenant to separately meter the Rooftop Communications Equipment for electricity, in either case, at Tenant's expense, and, in such case, Tenant shall pay as Additional Rent the electricity charges for the Rooftop Communications Equipment directly to Landlord or to the electricity provider, as Landlord shall determine.

3. Other Parties' Rights. Landlord has advised Tenant that other tenants

-----

of the Building have certain rights to erect communications systems on the roof of the Building. Landlord shall have the right for itself and to permit other current and future tenants to use portions of the roof for communications equipment or for any other use so long as such use does not unreasonably interfere with Tenant's use. Tenant covenants that it will not use its Rooftop Communications Equipment in a manner that will interfere with Landlord's and/or any current or future tenant's use of the roof of the Building for communications equipment or for any other use. Tenant shall not permit the Rooftop Communications Equipment to constitute a nuisance or to interfere with the operations of Landlord or other tenants occupying the Project or using other portions of the roof of the Building for communications systems.

4. Easements. Tenant is hereby granted such nonexclusive easements and

-----

licenses for (i) use of any Building shafts required to install the electrical or communication wiring; (ii) access to the roof at all reasonable times and in emergencies; and (iii) use of a mutually agreed upon area of the roof to install and operate the Rooftop Communications Equipment. The Rooftop Communication

Equipment shall be connected to the Premises by cable (or other appropriate means), the installation of which shall be performed by Tenant at Tenant's cost.

-1-

5. Permits and Approvals. Tenant shall be responsible for procuring all

licenses and permits may be required for the installation, use or operation of the Rooftop Communications Equipment, and Landlord makes no warranties or representations as to the permissibility or the permitability of the Rooftop Communications Equipment under applicable laws, rules or regulations. Prior to installing the Rooftop Communications Equipment, Tenant will deliver to Landlord reasonable evidence of Tenant's having obtained all necessary governmental approvals (if any such approval are required) for the installation of the Rooftop Communications Equipment. Landlord and Tenant will cooperate with each other to attempt to obtain from all owner associations, tenant associations, architectural control committees and similar organizations or authorities at the Office Park the consents or approvals of such parties to the extent required (as determined by Landlord) in connection with the Rooftop Communications Equipment.

6. Installation. Upon Landlord's written approval of the plans and

specifications and the installation contract for the Rooftop Communications Equipment (which approval shall not be unreasonably withheld, conditioned or delayed), the Rooftop Communications Equipment shall be installed by Tenant's communications equipment contractor, which contractor shall be subject to Landlord's reasonable approval. Tenant shall (i) construct, maintain and operate the Rooftop Communications Equipment in compliance with all applicable laws, rules and regulations of all Federal, state and local governmental authorities including, without limitation, the Federal Communications Commission; (ii) have the Rooftop Communications Equipment designed, installed, utilized and operated so as not to materially adversely affect or impact the structural, communications or other systems of or serving the Building or Project; and (iii) have the Rooftop Communications Equipment installed in accordance with the Building rules and regulations or any other reasonable regulations promulgated by Landlord pertaining to construction in or on the Building by third-party contractors. Upon installation of the Rooftop Communications Equipment, Tenant shall furnish Landlord with an "as built" drawing of the Rooftop Communications Equipment certified by Tenant's architect or such other professional as Landlord shall reasonably approve.

7. Charges. Landlord will not charge Tenant rent for the rooftop space

occupied by the Rooftop Communications Equipment. Tenant will pay Landlord within thirty (30) days after written demand for any actual out-of-pocket expenses incurred by Landlord arising from any damage caused to the Building in connection with the installation, maintenance, operation or removal of the Rooftop Communications Equipment and all special cabling associated therewith.

8. Removal. Upon the expiration or earlier termination of this Lease,

Tenant shall remove all Rooftop Communications Equipment and all special cabling associated therewith and repair any damage caused to the Building by the Rooftop Communications Equipment or the removal thereof.

-2-

Rider No. 6

Environmental

1. Hazardous Materials.

a. Tenant shall indemnify, defend, reimburse and hold Landlord harmless against any Environmental Damages (hereinafter defined) incurred by Landlord arising from Tenant's breach of this Rider. Tenant shall (i) not cause or permit any Hazardous Materials (hereinafter defined) to be treated, stored, disposed of, generated, or used at the Premises, the Building or the Project by Tenant, its employees, agents or invitees, provided, however, that Tenant shall have the right to store, use or dispose of products customarily found in offices

and used in connection with the operation and maintenance of such offices if Tenant complies with all Environmental Laws and does not contaminate the Premises, the Building, the Project or the environment; and (ii) promptly after receipt, endeavor in good faith to deliver to Landlord a copy of any communication concerning any past or present, actual or potential violation of Environmental Laws or liability of Tenant to Landlord for Environmental Damages. Tenant's obligations under this Section shall survive termination of this Lease and the discharge of all other obligations owed by Tenant to Landlord under this Lease.

b. Landlord shall indemnify, defend, reimburse and hold Tenant harmless against any Environmental Damages incurred by Tenant arising from Landlord's breach of this Section. Landlord shall (i) not cause or permit any Hazardous Materials to be treated, stored, disposed of, generated, or used at the Building or the Project by Landlord, its employees, agents or invitees (which shall not include any tenants of the Project), provided, however, that Landlord shall have the right to store, use or dispose of products customarily found in office projects similar to the Project and used in connection with the operation and maintenance of such projects if Landlord complies with all Environmental Laws and does not contaminate the Premises, the Building, the Project or the environment; and (ii) promptly after receipt, endeavor in good faith to deliver to Tenant a copy of any communication concerning any past or present, actual or potential violation of Environmental Laws or liability of Landlord to Tenant for Environmental Damages. Landlord's obligations under this Section shall survive termination of this Lease and the discharge of all other obligations owed by Landlord to Tenant under this Lease.

c. "Environmental Damages" means all claims, judgments, losses, penalties, fines, liabilities, encumbrances, liens, costs and reasonable expenses of investigation, defense or good faith settlement incurred by the indemnified party under this Rider resulting from violations of Environmental Laws, and including, without limitation: (i) damages for personal injury and injury to property or natural resources; (ii) reasonable fees and disbursements of attorneys, consultants, contractors, experts and laboratories; and (ii) costs of any cleanup, remediation, removal, response, abatement, containment, closure, restoration or monitoring work required by any Environmental Law and other costs reasonably necessary to restore full economic use of the Premises or the Building or the Project.

-1-

d. "Hazardous Materials" include substances (i) which require remediation under any Environmental Laws; or (ii) which are or become defined as "hazardous waste", "hazardous substance", pollutant or contaminant under any Environmental Laws; or (iii) which are toxic, explosive, corrosive, flammable, infectious, radioactive, carcinogenic or mutagenic; or (i) which contain petroleum hydrocarbons, polychlorinated biphenyls, asbestos, asbestos containing materials or urea formaldehyde. Hazardous Materials shall not include chemicals routinely used in office areas or cleaning supplies used in compliance with applicable laws.

e. "Environmental Law(s)" mean all applicable present and future statutes, regulations, rules, ordinances, codes, permits or orders of all governmental agencies, departments, commissions, boards, bureaus, or instrumentalities of the United States, states and their political subdivisions and all applicable judicial, administrative and regulatory decrees and judgments relating to the protection of public health or safety or of the environment.

2. Existing Conditions. Landlord represents to Tenant that to Landlord's -----  
actual knowledge, the Land (which Tenant agrees does not include the Building, the Parking Facilities or any other improvements) does not contain any Hazardous Materials other than as set forth to the contrary in that certain Property Records Search (the "Environmental Report"), dated August 1987, prepared by CH2M Hill with respect to the Land. Tenant acknowledges that Landlord has delivered a copy of the Environmental Report to Tenant.

-2-

Rider No. 7

Landlord Default  
-----



1. Judgment Against Landlord. If Landlord defaults in the performance of

-----  
any material obligation under this Lease on Landlord's part to be performed, Landlord shall remedy such default within thirty (30) days after Tenant delivers written notice to Landlord and any mortgagee(s) (whose name(s) and address(es) shall have been given to Tenant in writing) of such default, or if the default is of such a nature that it cannot reasonably be remedied within said period of thirty (30) day period, then Landlord shall diligently commence and proceed to cure such default within a reasonable time after receipt of such notice from Tenant. If Landlord fails to cure such default as provided herein, Tenant shall have the right, subject to the terms of this Lease, to pursue all rights at law or in equity (subject, however, to any limitations on such remedies as may be set forth in this Lease) as it may have against Landlord. If Tenant files suit against Landlord and obtains a judgment thereon, Tenant shall have the right to set-off against any Base Rent and Additional Rent otherwise due hereunder from Tenant to Landlord the amount of the judgment entered against Landlord, together with interest thereon at the Interest Rate.

2. Self Help. In the event of an emergency situation threatening

-----  
immediate damage to the Premises or any persons or property, Tenant shall provide Landlord oral or written notice, and if Landlord has not commenced to repair within one (1) day thereafter, Tenant may commence such repair, and all reasonable and actual costs incurred by Tenant in connection with the repair of the broken item of equipment or mechanical system shall be due and owing within thirty (30) days following written demand therefor to Landlord, accompanied by invoices or other evidence of such costs substantiating such claim. To the extent Landlord fails to pay the amount owed within such thirty (30) day period, the overdue amount shall bear interest at the Interest Rate from the thirty-first (31st) day until the date paid.

3. Leasehold Improvements. In addition to Tenant's rights under Section

-----  
1 of this Rider, if Prentiss Properties Acquisition Partners, L.P. ("PPAP") sells the Project prior to or within twelve (12) months after the Commencement Date and the Project transferee fails to fully disburse the Improvement Allowance to the extent required under Exhibit C of this Lease, PPAP or the Project transferee shall remedy such failure within fifteen (15) days after Tenant delivers written notice of such failure to PPAP, the Project transferee and to such transferee's mortgagee(s) (whose name(s) and address(es) shall have been given to Tenant in writing). If such failure continues beyond such fifteen (15) day period, Tenant shall have the right to set-off against any Base Rent and Additional Rent due hereunder from Tenant the amount of the Improvement Allowance that the Project transferee failed to disburse.

-1-

Rider No. 8

Landlord's Lien

-----

Landlord hereby waives any prejudgment lien rights which Landlord may have concerning Tenant's Property (as defined in Section 14.01A).

-1-

Rider No. 9

Storage Space

-----

1. Storage Space. Tenant hereby leases approximately 2,505 square feet

-----  
of storage space on lower level of the Building (the "Storage Space"), which Storage Space is approximately as shown on Exhibit R-9A hereto.

2. Rent. Beginning on the Commencement Date, Tenant shall pay Landlord

-----  
annual rent for the Storage Space in an amount equal to Fourteen Dollars (\$14.00) per square foot multiplied by the number of square feet contained in the Storage Space, which rent shall increase on each anniversary of the Commencement Date by two and one-half percent (2 1/2%) of the Storage Space rent payable for the then immediately preceding year. During any extension term of this Lease, Tenant shall pay Landlord rent for the Storage Space at the then fair market value for such space. The Storage Space rent shall be deemed a part of the Rent owed by Tenant under the Lease and Tenant shall make monthly rental payments for the Storage Space at the same time, in the same form and otherwise in accordance with the terms set forth in the Lease for the payment of Rent.

3. Storage Space Lease Terms. Except as set forth in this Rider to the -----  
contrary, Tenant shall lease the Storage Space upon the same terms and conditions as Tenant leases the Premises; provided, however, Tenant's Share of Operating Expenses and other charges under this Lease shall not be increased by virtue of Tenant's leasing of the Storage Space and the square footage of the Storage Space shall not be added to or included in the square footage of the Premises.

4. Condition of Storage Space. Tenant accepts the Storage Space in "as -----  
is" condition and Landlord shall have no obligation to provide any services in connection with the Storage Space, except that the Storage Space will be in broom clean condition when Landlord delivers the Storage Space to Tenant, the Storage Space will be well-lit, will have reasonable electric service and conditioned air and will be constructed so that it can be locked-off so as to prevent access by other occupants or tenants of the Building (the "Storage Condition"). Upon delivering the Storage Space to Tenant in Storage Condition, Landlord will have no obligation to make any improvements, repairs or alterations to the Storage Space. Tenant shall maintain the Storage Space at Tenant's sole cost and expense. At the end of the Term, Tenant shall surrender the Storage Space to Landlord in broom clean condition, normal wear and tear excepted. Tenant will not operate any equipment (electrical or otherwise) in the Storage Space, except that Tenant shall be permitted to install a dehumidifier in the Storage Space.

5. Term of Lease for Storage Space. Tenant's leasing of the Storage -----  
Space shall commence on the date Landlord tenders possession of the Storage Space to Tenant in the Storage Condition and shall be co-terminus with the Term of the Lease and any extension thereof.

6. Assignment. Tenant shall not assign or sublet all or any portion of -----  
the Storage Space except in connection with any assignment or sublease of the Premises permitted under the Lease.

-1-

7. Insurance. Tenant's insurance requirements set forth in the Lease -----  
shall also apply with respect to the Storage Space.

-2-

Exhibit R-9-A  
-----

Page 1 of 1

[LOWER LEVEL FLOOR PLAN APPEARS HERE]

Rider No. 10

Delivery Date  
-----

1. Holdover Damages. Any provision of the Lease to the contrary -----  
notwithstanding, if the Commencement Date has not occurred prior to February 2,

1999, which date shall be extended day for day for each day of force majeure (not to exceed in any event or under any circumstance a total of forty-five (45) days for such force majeure) or Tenant Delay (as defined in Exhibit C of the Lease), Landlord shall be liable to Tenant for Holdover Damages from February 2, 1999 (as such date might be extended as aforesaid) until the earlier of the Commencement Date or the termination of this Lease pursuant to the terms of Section 2 of this Rider (the "Delay Period"). Holdover Damages means an amount equal to the lesser of (a) \$3,000 per day, or (b) the sum of (i) the actual holdover Base Rent (as such term is defined in the Tycon Lease) premium owed by Tenant under the Tycon Lease for the Delay Period plus (ii) the actual holdover Annual Fixed Rent (as such term is defined in the Capital One Lease) premium owed by Tenant under the Capital One Lease for the Delay Period. The Tycon Lease means that certain Sublease, dated June 6, 1996, between Arthur Anderson, LLP and Tenant pertaining to Suite 300 at Tycon Tower I, 8000 Towers Crescent Drive, Vienna, Virginia; and the Capital One Lease means that certain Sublease, dated August 28, 1997, between Capital One Services and Tenant pertaining to certain space on the fifth (5th) floor at 2650 Park Town Drive, Vienna, Virginia.

2. Termination Rights.  
-----

a. Any provision of the Lease to the contrary notwithstanding, if the Commencement Date has not occurred on or before February 1, 1999 and there has been an aggregate of five (5) months of Landlord Delay (either before or after February 1, 1999), Tenant may elect, as its sole remedy, at any time thereafter to terminate the Lease upon ten (10) days written notice to Landlord. Upon delivery of such written notice from Tenant to Landlord, Landlord shall have ten (10) days to deliver the Premises to Tenant in accordance with Section 3.02 of the Lease. If Landlord fails to deliver the Premises to Tenant in accordance with Section 3.02 of the Lease within such ten (10) day period, the Lease shall automatically terminate without further action by either party.

b. Any provision of the Lease to the contrary notwithstanding, if the Commencement Date has not occurred prior to February 1, 2000 due to force majeure, Landlord may elect, at any time after February 1, 2000 but prior to the Commencement Date, to terminate the Lease upon ten (10) days written notice to Tenant. Upon delivery of such written notice from Landlord to Tenant, the Lease shall automatically terminate without further action by either party.

c. Any provision of the Lease to the contrary notwithstanding, if the Commencement Date has not occurred prior to November 1, 1999, for any reason other than Tenant Delay, Tenant may elect, at any time after November 1, 1999 but prior to the Commencement Date, to terminate the Lease upon ten (10) days written notice to Landlord. Upon delivery of such written notice from Tenant to Landlord, the Lease shall automatically terminate without further action by either party.

-1-

Rider No. 11

Indoor Air Quality  
-----

The Building's property management company shall have the Building tested for indoor air quality on an annual basis and the costs of the tests shall constitute an Operating Expense so long as the cause of the indoor air quality problem (if any) is not due to the initial defective construction of the Building or the Central Systems. Landlord shall promptly provide to Tenant with copies of such annual written test reports relating to the air quality in the Building, or any other written report, information or data prepared as an evaluation of the indoor air quality of the Building. Provided that it is commercially reasonable for a landlord similar to Landlord to do so, Landlord shall implement the recommendations set forth in the report to the extent necessary to cause the air quality in the Building to comply with applicable local, state or federal laws or regulations as in effect on the Commencement Date, but only if compliance with such laws or regulations can be achieved by Landlord correcting a defect in a Central System. The costs arising from such implementation shall constitute Operating Expenses so long as the cause of the indoor air quality problem is not due to the initial defective construction of the Building or the Central Systems.

-1-

Right of Opportunity

1. Right of Opportunity. If office space located on the first (1st)

-----  
floor of the Building becomes or is reasonably anticipated by Landlord to become vacant during the five (5) year period commencing on the Commencement Date (or, if Tenant has exercised its right to lease the Premises for the Extension Term (as defined in Rider No. 3-Extension Option), during the three (3) year period commencing on the first day of the first Extension Term) (the "Additional Space"), Landlord shall so notify Tenant in writing (the "Landlord's Notice") of the anticipated availability date not more than eighteen (18) months in advance of such date. Provided that all of the terms and conditions set forth in this Rider for Tenant's exercise of its rights hereunder have been completely and timely satisfied, Tenant may exercise a one-time right to lease (the "Right of Opportunity") the entire Additional Space at the Fair Market Value Rate (hereinafter defined) by delivering Tenant's written notice to Landlord ("Tenant's Notice") within ten (10) days after receipt of Landlord's Notice. If Tenant notifies Landlord that Tenant elects not to lease the Additional Space or if Tenant fails to timely deliver Tenant's Notice to Landlord, Tenant shall be deemed to have waived forever its Right of Opportunity with respect to such Additional Space and Landlord may thereafter lease the Additional Space to any party or parties and upon any terms.

2. Conditions to Exercise.

-----  
a. Tenant's exercise of its Right of Opportunity shall be subject to the existence of the following conditions at the time of such exercise: (i) this Lease is in full force and effect; (ii) no Event of Default then exists under this Lease and no condition exists which with notice or the passage of time, or both, would constitute an Event of Default; (iii) Tenant has timely exercised its Right of Opportunity, with time being of the essence; and (iv) the original tenant named in the Lease shall not have assigned or sublet to a non-Tenant Affiliate its rights to an aggregate of more than fifty percent (50%) of the Net Rentable Area of the original Premises.

b. Tenant's Right of Opportunity will not apply to any space in the Building until after Landlord has leased such space to a tenant and such tenant's lease rights have expired, which rights shall include any extension rights contained in writing in such lease.

c. Tenant's Right of Opportunity shall subject, subordinate and in all respects inferior to the existing rights of the tenant as of the date of this Lease (which rights include, without limitation, any existing, written expansion rights, extension rights, rights of refusal or rights of opportunity with respect to space in the Building) under the following lease, as such lease has been amended to date, pertaining to space at the Building: Lease Agreement, dated June 23, 1998, between Landlord and The Lewin Group, Inc.

3. Condition of Additional Space. Tenant shall take the Additional Space

-----  
in "as is" condition, and Landlord shall have no obligation to make any improvements or alterations to the Additional Space.

4. Rent.

----  
(a) Base Rent for the first year that Tenant leases the Additional Space shall be at the Fair Market Value Rate (hereinafter defined) multiplied by the number of square feet of Net Rentable Area in the Additional Space as of the date Tenant commences to lease the Additional Space. When Base Rent for the first year that Tenant will lease the Additional Space is being determined, Base Rent for the second and all subsequent years that Tenant will lease the Additional Space shall also be determined (in accordance with the same procedures as are set forth herein for determining the Fair Market Value Rate) based upon the then prevailing annual rent escalation factor in the applicable leasing market. If Tenant has the right under the Lease to extend the Term and

Tenant does, in fact, extend the Term and Tenant has leased any Additional Space, then Rent for such Additional Space for such extension period(s) shall be at the same rate that Tenant will pay as Rent for the original Premises for such extension term.

(b) For purposes hereof "Fair Market Value Rate" means the full service base year fair market rental rate per square foot of rentable area that would be agreed upon between a landlord and a tenant for a comparable lease for comparable space as to location, size, configuration, view and elevator exposure in a comparable building as to location, quality, age and reputation with a comparable build-out and a comparable term, assuming (as to the following items (1) through (4)) and taking into consideration (as to the remaining items) the following: (1) the landlord and tenant are typically motivated; (2) the landlord and tenant are informed and well advised and each is acting in what it considers its own best interest; (3) the Additional Space fit for the Permitted Use; (4) if the Additional Space has been destroyed or damaged by fire or other casualty, the Additional Space has been fully restored; and (5) tenant improvement allowance, free rent periods or any other special concessions (for example, design fees, moving allowances, commissions, free parking, etc.) will not be provided to Tenant (except that Tenant will not be required to pay a Permit Fee charge for parking other than as might be included in the Fair Market Value Rate) except to the extent that such allowances or concessions are reflected in the fair market rental rates then being quoted in which event the Fair Market Value Rate shall be reduced by the economic value of the allowances or concessions not offered to Tenant. Tenant shall also continue to pay Tenant's Share of Operating Costs and other charges pursuant to the terms of the Lease for the Additional Space, but the Base Year shall be changed to be the calendar year containing the first day that Tenant leases the Additional Space and Tenant shall have no obligation to pay Tenant's Share of Operating Costs allocated to the Additional Space until January 1 of the year following the year containing the first day that Tenant leases such Additional Space.

(c) Within fifteen (15) days after Landlord receives notice from Tenant that Tenant is exercising the Right of Opportunity, Landlord shall send written notice to Tenant specifying the Fair Market Value Rate as determined by Landlord and, within fifteen (15) days after receipt of Landlord's notice, Tenant shall give Landlord written notice of Tenant's acceptance or challenge of Landlord's determination of the Fair Market Value Rate; provided, however, that

-----  
if Tenant fails to respond within such fifteen (15) day period, Tenant shall be deemed to not have accepted Landlord's determination of the Fair Market Value Rate, and Landlord and Tenant shall endeavor to reach an agreement as to the Fair Market Value Rate within thirty (30) days after the latter of the aforementioned fifteen (15) day

-2-

periods. Unless Landlord and Tenant agree in writing upon the Fair Market Value Rate, Landlord and Tenant shall not be deemed to have agreed upon the Fair Market Value Rate.

(d) If Landlord and Tenant are unable to agree upon the Fair Market Value Rate within the aforementioned time period, Landlord and Tenant shall each select an appraiser who shall each submit to the parties his or her determination of the Fair Market Value Rate. Landlord and Tenant shall notify the other party of the identity of the appraiser selected by the notifying party within ten (10) days after the expiration of the aforementioned thirty (30) day period. Each appraiser shall be a licensed real estate broker or an MAI-certified real estate appraiser having a minimum of ten (10) years' experience in the Tysons Corner/Merrifield office market. The appraisers shall be instructed to complete and submit their written appraisal reports to the other party within thirty (30) days after the expiration of the ten (10) day selection period. If the determination of the Fair Market Value Rate submitted by Landlord's appraiser is less than the determination of the Fair Market Value Rate submitted by Tenant's appraiser, then the Fair Market Value Rate shall be the average of the two (2) determinations. If the determination of the Fair Market Value Rate submitted by Landlord's appraiser is greater than the determination of the Fair Market Value Rate submitted by Tenant's appraiser, the appraisers shall, within ten (10) days, appoint a third appraiser with the above-mentioned qualifications who shall select either Landlord's appraisal or Tenant's appraisal, whichever the third appraiser finds more accurately reflects the Fair Market Value Rate. The third appraiser shall be instructed to make his or her selection of the more accurate appraisal and notify Landlord and Tenant of such selection within ten (10) days after such appraiser's appointment. The

foregoing notwithstanding, if the lower of the first two (2) appraisal amounts is within five percent (5%) of the higher of the first two (2) appraisal amounts, then the Fair Market Value Rate shall be the average of the such two (2) appraisal amounts. Landlord and Tenant shall each bear the costs of their respective appraisers. The expenses of the third appraiser shall be borne one-half (1/2) by Landlord and one-half ( 1/2) by Tenant.

5. No Abatement. Although rent abatement period(s) will be considered

-----  
(if applicable) in determining the Fair Market Value Rate pursuant to Section 4b), Tenant will not be entitled to any "free rent" or other abatement period under the Lease with respect to the Additional Space, except as may be set forth in Articles 7, 15 or 16 of the Lease to the contrary.

6. Terms of Lease. Tenant shall lease the Additional Space under the

-----  
Lease (and not under a separate or new lease) and upon the same terms and conditions as those set forth in the Lease with respect to the original Premises, except to the extent expressly set forth in this Rider to the contrary.

7. Term. If Tenant exercises its right to lease the Additional Space,

----  
(a) Tenant's lease of the Additional Space shall commence upon the later of (i) the date of availability specified in Landlord's Notice, or (ii) the date upon which the prior occupant (the "Prior Occupant") of the Additional Space physically vacates and surrenders possession of the Additional Space, and (b) the term of Tenant's lease of the Additional Space shall be coterminous with the Term of this Lease and any extension hereof. Provided that Landlord has complied with the terms of the following sentence, Landlord will have no liability to Tenant if Landlord does not deliver or does not timely deliver the Additional Space to Tenant. Landlord will promptly commence and diligently pursue obtaining possession of the Additional Space (including by initiating legal proceedings) so that Landlord can timely deliver the Additional Space to Tenant; provided, however, if Landlord has not delivered possession of the

-3-

Additional Space to Tenant within six (6) months after the date on which the Additional Space was to be delivered to Tenant, Tenant shall have the right to terminate its election to lease the Additional Space by notifying Landlord in writing within thirty (30) days after the expiration of said six (6) month period. Nothing herein contained shall obligate Landlord to make any payment to the Prior Occupant in order to entice the Prior Occupant to physically vacate and surrender possession of the Additional Space.

8. Recomputation. Upon Tenant's leasing of any Additional Space, the

-----  
terms "Net Rentable Area" and "the Premises" shall be deemed to include the Additional Space leased hereunder and, except as otherwise set forth in this Rider, all computations made under the Lease based upon or affected by the Net Rentable Area of the Premises shall be recomputed to include the Additional Space.

9. Configuration. Landlord shall determine the exact configuration of

-----  
the Additional Space.

-4-

<ARTICLE> 5  
<MULTIPLIER> 1,000

|                              |       |             |
|------------------------------|-------|-------------|
| <PERIOD-TYPE>                | 9-MOS |             |
| <FISCAL-YEAR-END>            |       | DEC-31-1998 |
| <PERIOD-START>               |       | JAN-01-1998 |
| <PERIOD-END>                 |       | SEP-30-1998 |
| <CASH>                       |       | 29,868      |
| <SECURITIES>                 |       | 0           |
| <RECEIVABLES>                |       | 29,478      |
| <ALLOWANCES>                 |       | 0           |
| <INVENTORY>                  |       | 0           |
| <CURRENT-ASSETS>             |       | 62,118      |
| <PP&E>                       |       | 14,953      |
| <DEPRECIATION>               |       | 3,263       |
| <TOTAL-ASSETS>               |       | 76,563      |
| <CURRENT-LIABILITIES>        |       | 32,359      |
| <BONDS>                      |       | 0           |
| <PREFERRED-MANDATORY>        |       | 0           |
| <PREFERRED>                  |       | 0           |
| <COMMON>                     |       | 36          |
| <OTHER-SE>                   |       | 43,373      |
| <TOTAL-LIABILITY-AND-EQUITY> |       | 76,563      |
| <SALES>                      |       | 70,699      |
| <TOTAL-REVENUES>             |       | 70,699      |
| <CGS>                        |       | 13,610      |
| <TOTAL-COSTS>                |       | 51,949      |
| <OTHER-EXPENSES>             |       | 0           |
| <LOSS-PROVISION>             |       | 0           |
| <INTEREST-EXPENSE>           |       | 621         |
| <INCOME-PRETAX>              |       | 5,170       |
| <INCOME-TAX>                 |       | 1,758       |
| <INCOME-CONTINUING>          |       | 3,412       |
| <DISCONTINUED>               |       | 0           |
| <EXTRAORDINARY>              |       | 0           |
| <CHANGES>                    |       | 0           |
| <NET-INCOME>                 |       | 3,412       |
| <EPS-PRIMARY>                |       | .10         |
| <EPS-DILUTED>                |       | .09         |