

APPENDIX A***Final Proposal***

1. Ground lease at \$100,000 per month. Lease to include increases of three (3%) annually.
2. First National is given a 10 year put at a capitalization rate of 9% at the then current annual rental. Federal Realty to cooperate with tax free exchange.
3. Federal Realty to be given a call at the end of ten years at a 9% capitalization rate.
4. First National to be offered an option to lease office space of up to 5000 square feet in the new Santana Row complex at \$4.00 per square foot per month, subject to the terms and conditions of a new lease.
5. First National to be reimbursed \$75,000 to buy out the current lease holder, New Things West.
6. Federal Realty to pay for the moving expenses of First National Mortgage not to exceed \$25,000.00.
7. Federal Realty to prepare a legal agreement for First National's review to finalize the agreement.
8. Effective date of agreement as of date of vacating premises.
9. The above agreement must be accepted via fax to 408-249-9214 no later than 10:00 a.m. California time on August 25, 2000, at which time this counter offer will automatically expire.

The above terms are hereby accepted by the parties subject only to approval of the terms and conditions of a formal agreement.