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SECURITIES AND EXCHANGE COMMISSION

Washington, DC 20549

Form 10-Q

(Mark One)

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

For the quarterly period ended September 30, 2001

or

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

Commission File Number: 001-13545

AMB Property Corporation

(Exact Name of Registrant as Specified in Its Charter)

Maryland *(State or Other Jurisdiction of Incorporation or Organization)*	**94-3281941** *(I.R.S. Employer Identification No.)*
Pier 1, Bay 1, San Francisco, California *(Address of Principal Executive Offices)*	**94111** *(Zip Code)*

(415) 394-9000

(Registrant's Telephone Number, Including Area Code)

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

As of November 2, 2001, there were 83,705,442 shares of the Registrant's common stock, $0.01 par value per share, outstanding.

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PART I

Item 1. ***Financial Statements***

AMB PROPERTY CORPORATION

CONDENSED CONSOLIDATED BALANCE SHEETS
As of September 30, 2001 and December 31, 2000
(Unaudited, dollars in thousands, except share amounts)

	September 30, 2001	December 31, 2000
ASSETS		
Investments in real estate:		
Land	$ 988,699	$ 833,325
Buildings and improvements	3,226,073	2,915,537
Construction in progress	219,075	277,735
Total investments in properties	4,433,847	4,026,597
Accumulated depreciation and amortization	(239,144)	(177,467)
Net investments in properties	4,194,703	3,849,130
Investments in unconsolidated joint ventures	85,707	80,432
Properties held for divestiture, net	106,054	197,146
Net investments in real estate	4,386,464	4,126,708
Cash and cash equivalents	243,427	20,358
Restricted cash	13,445	22,364
Mortgages receivable	92,232	115,969
Accounts receivable, net	68,811	69,874
Investments in affiliated companies	—	35,731
Investments in other companies	—	15,965
Other assets	27,245	18,657
Total assets	$4,831,624	$4,425,626
LIABILITIES AND STOCKHOLDERS’ EQUITY		
Debt:		
Secured debt	$1,102,801	$ 940,276
Unsecured senior debt securities	780,000	680,000
Alliance Fund II credit facility	125,000	—
Unsecured credit facility	—	216,000
Total debt	2,007,801	1,836,276
Dividends payable	42,905	6,775
Other liabilities	154,472	140,267
Total liabilities	2,205,178	1,983,318
Commitments and contingencies (note 12)		
Minority interests	859,058	674,378
Stockholders’ equity:		
Series A preferred stock, cumulative, redeemable, $0.01 par value, 100,000,000 shares authorized, 4,000,000 shares issued and outstanding, $100,000 liquidation preference	96,100	96,100
Common stock, $0.01 par value, 500,000,000 shares authorized, 84,164,842 and 84,138,751 issued and outstanding	841	841
Additional paid-in capital	1,635,202	1,638,655
Retained earnings	35,245	36,066
Accumulated other comprehensive income	—	(3,732)
Total stockholders’ equity	1,767,388	1,767,930
Total liabilities and stockholders’ equity	$4,831,624	$4,425,626

The accompanying notes are an integral part of these condensed consolidated financial statements.

AMB PROPERTY CORPORATION

CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS

For the Three and Nine Months Ended September 30, 2001 and 2000
(Unaudited, dollars in thousands, except share and per share amounts)

	For the Three Months Ended September 30,		For the Nine Months Ended September 30,	
	2001	2000	2001	2000
REVENUES				
Rental revenues	$ 146,089	$ 118,493	$ 421,425	$ 337,356
Equity in earnings of unconsolidated joint ventures	1,636	1,447	4,365	4,006
Investment management income	2,340	940	8,022	2,160
Interest and other income	5,392	491	12,505	1,651
Total revenues	155,457	121,371	446,317	345,173
OPERATING EXPENSES				
Property operating expenses	17,970	13,400	51,016	36,463
Real estate taxes	17,379	13,994	50,893	40,992
Interest, including amortization	32,996	22,562	94,754	62,906
Depreciation and amortization	38,961	23,312	93,138	65,135
General and administrative	8,796	5,987	26,180	17,322
Loss on investments in other companies	—	—	20,758	—
Total operating expenses	116,102	79,255	336,739	222,818
Income from operations before minority interests	39,355	42,116	109,578	122,355
Minority interests:				
Preferred units	(7,423)	(6,206)	(21,626)	(17,778)
Minority interests	(10,556)	(6,879)	(26,324)	(14,899)
Minority interests’ share of net income	(17,979)	(13,085)	(47,950)	(32,677)
Net income before gains and extraordinary items	21,376	29,031	61,628	89,678
Gain from development held for sale	1,341	—	1,341	—
Gain from divestitures of real estate, net of minority interests	8,773	5,815	43,332	6,220
Net income before extraordinary items	31,490	34,846	106,301	95,898
Extraordinary items	87	—	(351)	—
Net income	31,577	34,846	105,950	95,898
Series A preferred stock dividends	(2,125)	(2,125)	(6,375)	(6,375)
Net income available to common stockholders	$ 29,452	$ 32,721	$ 99,575	$ 89,523
BASIC INCOME PER COMMON SHARE				
Before extraordinary items	$ 0.35	$ 0.39	$ 1.18	$ 1.07
Extraordinary items	—	—	—	—
Net income available to common stockholders	$ 0.35	$ 0.39	$ 1.18	$ 1.07
DILUTED INCOME PER COMMON SHARE				
Before extraordinary items	$ 0.34	$ 0.39	$ 1.17	$ 1.06
Extraordinary items	—	—	—	—
Net income available to common stockholders	$ 0.34	$ 0.39	$ 1.17	$ 1.06
WEIGHTED AVERAGE COMMON SHARES				
Basic	84,395,107	84,115,613	84,135,158	83,937,884
Diluted	85,644,840	84,725,109	85,097,692	84,237,861

The accompanying notes are an integral part of these condensed consolidated financial statements.

AMB PROPERTY CORPORATION

CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
For the Nine Months Ended September 30, 2001 and 2000
(Unaudited, dollars in thousands)

	2001	2000
CASH FLOWS FROM OPERATING ACTIVITIES		
Net income	$ 105,950	$ 95,898
Adjustments:		
Depreciation and amortization	93,138	65,135
Loss on investments in other companies	20,758	—
Straight-line rents	(7,579)	(7,158)
Amortization of debt premiums and financing costs	342	(5,530)
Minority interests' share of net income	47,950	32,677
Gain on divestitures of real estate	(44,673)	(6,220)
Extraordinary items	351	—
Equity in earnings of AMB Investment Management	43	2,162
Equity in earnings of unconsolidated joint ventures	(4,365)	(4,006)
Changes in other assets, net	25,827	(34,924)
Changes in other liabilities, net	14,205	23,612
Net cash provided by operating activities	251,948	161,646
CASH FLOWS FROM INVESTING ACTIVITIES		
Change in restricted cash	8,919	57,838
Cash paid for property acquisitions	(283,449)	(331,346)
Additions to buildings, development costs, and other first generation Improvements	(143,272)	(155,787)
Additions to second generation building improvements and lease costs	(33,198)	(25,828)
Additions to interest in unconsolidated joint ventures	(4,965)	(10,562)
Distributions received from unconsolidated joint ventures	4,055	2,944
Net proceeds from divestitures of real estate	194,691	26,833
Net cash used in investing activities	(257,219)	(435,908)
CASH FLOWS FROM FINANCING ACTIVITIES		
Issuance of common stock	2,087	1,741
Retirement of common stock	(22,062)	—
Borrowings on unsecured credit facility	198,000	307,000
Borrowings on Alliance Fund I credit facility	—	25,000
Borrowings on Alliance Fund II credit facility	125,000	—
Borrowings on secured debt	232,723	57,646
Payments on unsecured credit facility	(414,000)	(157,000)
Payments on Alliance Fund I credit facility	—	(105,000)
Payments on secured debt	(67,869)	(14,599)
Payment of financing fees	(4,385)	(4,149)
Net proceeds from issuance of unsecured senior debt securities	99,406	54,808
Net proceeds from issuance of preferred units	63,781	61,533
Contributions from co-investment partners	134,090	129,699
Dividends paid to common and preferred stockholders	(73,525)	(68,427)
Distributions to minority interests, including preferred units	(44,906)	(28,498)
Net cash provided by financing activities	228,340	259,754
Net increase (decrease) in cash and cash equivalents	223,069	(14,508)
Cash and cash equivalents at beginning of period	20,358	33,312
Cash and cash equivalents at end of period	$ 243,427	$ 18,804
SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION		
Cash paid for interest	$ 102,562	$ 66,005
Non-cash transactions:		
Acquisitions of properties	$ 283,449	$ 407,889
Assumption of debt	—	(76,543)
Net cash paid	$ 283,449	$ 331,346

The accompanying notes are an integral part of these condensed consolidated financial statements.

AMB PROPERTY CORPORATION

CONDENSED CONSOLIDATED STATEMENT OF STOCKHOLDERS' EQUITY
For the Nine Months Ended September 30, 2001
(Unaudited, dollars in thousands)

	Series A Preferred Stock	Common Stock Number of Shares	Common Stock Amount	Additional Paid-in Capital	Retained Earnings	Accumulated Other Comprehensive Income	Total
Balance at December 31, 2000	$96,100	84,138,751	$ 841	$1,638,655	$ 36,066	$ (3,732)	$1,767,930
Comprehensive income:							
Net income	6,375	—	—	—	99,575	—	
Reversal of unrealized loss on securities	—	—	—	—	—	3,732	
Total comprehensive income							109,682
Issuance of restricted stock	—	238,260	2	5,859	—	—	5,861
Exercise of stock options	—	98,534	1	2,086	—	—	2,087
Conversion of Operating Partnership units	—	621,997	6	14,981	—	—	14,987
Retirement of common stock	—	(932,700)	(9)	(22,053)	—	—	(22,062)
Deferred compensation	—	—	—	(5,861)	—	—	(5,861)
Deferred compensation amortization	—	—	—	1,928	—	—	1,928
Reallocation of limited partners' interests in the Operating Partnership	—	—	—	(393)	—	—	(393)
Dividends	(6,375)	—	—	—	(100,396)	—	(106,771)
Balance at September 30, 2001	$96,100	84,164,842	$ 841	$1,635,202	$ 35,245	$ —	$1,767,388

The accompanying notes are an integral part of these condensed consolidated financial statements.

AMB PROPERTY CORPORATION

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
September 30, 2001
(Unaudited)

1. Organization and Basis of Presentation

AMB Property Corporation, a Maryland corporation (the “Company”), commenced operations as a fully integrated real estate company effective with the completion of its initial public offering on November 26, 1997. The Company elected to be taxed as a real estate investment trust under Sections 856 through 860 of the Internal Revenue Code of 1986, commencing with its taxable year ended December 31, 1997, and believes its current organization and method of operation will enable it to maintain its status as a real estate investment trust. The Company, through its controlling interest in its subsidiary, AMB Property, L.P., a Delaware limited partnership (the “Operating Partnership”), is engaged in the acquisition, ownership, operation, management, renovation, expansion, and development of primarily industrial buildings in target markets nationwide. Unless the context otherwise requires, the “Company” means AMB Property Corporation, the Operating Partnership, and its other controlled subsidiaries.

As of September 30, 2001, the Company owned an approximate 94.4% general partner interest in the Operating Partnership, excluding preferred units. The remaining 5.6% limited partner interest is owned by non-affiliated investors and certain current and former directors and officers of the Company. For local law purposes, certain properties are owned through limited partnerships and limited liability companies. The ownership of such properties through such entities does not materially affect the Company’s overall ownership interests in the properties. As the sole general partner of the Operating Partnership, the Company has full, exclusive, and complete responsibility and discretion in the day-to-day management and control of the Operating Partnership. Net operating results of the Operating Partnership are allocated after preferred unit distributions based on the respective partners’ ownership interests.

Through the Operating Partnership, the Company enters into co-investment joint ventures with institutional investors. These co-investment joint ventures provide the Company with an additional source of capital to fund certain acquisitions and development and renovation projects. As of September 30, 2001, the Company had investments in five co-investment joint ventures, which are consolidated for financial reporting purposes.

AMB Investment Management, Inc., a Maryland corporation (“AMB Investment Management”), provides real estate investment services to clients on a fee basis. Headlands Realty Corporation, a Maryland corporation, conducts a variety of businesses that include incremental income programs, such as the Company’s CustomerAssist Program and development projects available for sale to third parties. On May 31, 2001, the Operating Partnership acquired 100% of the common stock of AMB Investment Management and Headlands Realty Corporation from current and former executive officers of the Company, a former executive officer of AMB Investment Management, and a director of Headlands Realty Corporation, thereby acquiring 100% of both entities’ capital stock. The Operating Partnership began consolidating its investments in AMB Investment Management and Headlands Realty Corporation on May 31, 2001. Prior to May 31, 2001, the Operating Partnership reflected its investment using the equity method. The impact of consolidating AMB Investment Management and Headlands Realty Corporation was not material.

As of September 30, 2001, the Company owned 876 industrial buildings and seven retail centers, located in 26 markets throughout the United States. The Company’s strategy is to become a leading provider of High Throughput Distribution, or HTD, properties located near key passenger and cargo airports, highway systems and ports in major metropolitan areas, such as Atlanta, Chicago, Dallas/ Fort Worth, Northern New Jersey/ New York City, the San Francisco Bay Area, Southern California, Miami, and Seattle. As of September 30, 2001, the industrial buildings, principally warehouse distribution buildings, encompassed approximately 78.4 million rentable square feet and were 96.6% leased to over 2,867 tenants. As of September 30, 2001, the retail centers, principally grocer-anchored community shopping centers, encompassed approximately 1.3 million rentable square feet and were 87.6% leased to more than 157 tenants.

AMB PROPERTY CORPORATION

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

As of September 30, 2001, through AMB Investment Management, the Company also managed industrial buildings and retail centers, totaling approximately 3.3 million rentable square feet on behalf of various clients. In addition, the Company has invested in industrial buildings, totaling approximately 4.9 million rentable square feet, through unconsolidated joint ventures.

2. Interim Financial Statements

The condensed consolidated financial statements included herein have been prepared pursuant to the rules and regulations of the Securities and Exchange Commission. Accordingly, certain information and note disclosures normally included in the annual financial statements prepared in accordance with accounting principles generally accepted in the Unites States have been condensed or omitted.

In the opinion of management, the accompanying unaudited condensed consolidated financial statements contain all adjustments, of a normal recurring nature, necessary for a fair presentation of the Company's consolidated financial position and results of operations for the interim periods.

The interim results of the three and nine months ended September 30, 2001 and 2000, are not necessarily indicative of future results. These financial statements should be read in conjunction with the financial statements and the notes thereto included in the Company's Annual Report on Form 10-K and Form 10-K/A for the year ended December 31, 2000.

The preparation of financial statements in conformity with accounting principles generally accepted in the United States requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Investments in other companies are accounted for on a cost basis and realized gains and losses are included in current earnings. For its investments in private companies, the Company periodically reviews its investments and management determines if the value of such investments have been permanently impaired. Permanent impairment losses for investments in public and private companies are included in current earnings. As of June 30, 2001, the Company recognized a realized loss on its investments in other companies totaling $20.8 million, including its investment in Webvan Group, Inc. The Company had previously recognized gains and losses on its investment in Webvan Group, Inc. as a component of other comprehensive income.

In June and August 2001, the Financial Accounting Standards Board issued Statement of Financial Accounting Standards Nos. 143,*Accounting for Asset Retirement Obligations,* and 144, *Accounting for the Impairment or Disposal of Long-Lived Assets.* Under FASB Statement No. 143, the fair value of a liability for an asset retirement obligation must be recognized in the period in which it is incurred if a reasonable estimate of fair value can be made. The associated asset retirement costs are capitalized as part of the carrying amount of the long-lived asset. FASB Statement No. 144 retains FASB Statement No. 121's, *Accounting for the Impairment of Long-Lived Assets and for Long-Lived Assets to Be Disposed Of,* fundamental provisions for the: (1) recognition and measurement of impairment of long-lived assets to be held and used; and (2) measurement of long-lived assets to be disposed of by sale. The Company does not believe that either FASB Statement No. 143 or No. 144 will have a material impact on its financial position or results of operations. FASB Statement No. 143 is effective for fiscal years beginning after June 15, 2002, and FASB Statement No. 144 is effective for fiscal years beginning after December 15, 2001.

AMB PROPERTY CORPORATION

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

In June 2001, the Financial Accounting Standards Board issued Statement of Financial Accounting Standards Nos. 141,*Business Combinations,* and 142, *Goodwill and Other Intangible Assets*. Under FASB Statement No. 141, business combinations initiated after June 30, 2001, must use the purchase method of accounting. The pooling of interest method of accounting is prohibited. Under FASB Statement No. 142, intangible assets acquired in a business combination must be recorded separately from goodwill if they arise from contractual or other legal right or are separable from the acquired entity and can be sold, transferred, licensed, rented, or exchanged, regardless of the acquirer's intent to do so. The Company does not believe that either FASB Statement No. 141 or No. 142 will have a material impact on its financial position or results of operations. FASB Statement No. 141 was effective for business combinations initiated after July 1, 2001, and FASB Statement No. 142 is effective for fiscal years beginning after December 15, 2001.

The Company adopted FASB Statement No. 133 on derivatives on January 1, 2001, and it did not impact its financial position or results of operations as the Company does not utilize derivative instruments in its operations. FASB Statement No. 133, *Accounting for Derivative Instruments and Hedging Activities,* as amended by Statement No. 138*, Accounting for Certain Derivative Instruments and Certain Hedging Activities,* established accounting and reporting standards requiring that every derivative instrument (including certain derivative instruments embedded in other contracts) be recorded in the balance sheet as either an asset or liability measured at its fair value. The Statement, as amended, requires that changes in the derivative's fair value be recognized currently in earnings unless specific hedge accounting criteria are met.

3. Real Estate Acquisition and Development Activity

During the third quarter of 2001, the Company invested $118.1 million in operating properties, consisting of 16 industrial buildings aggregating approximately 1.7 million square feet, which included the investment of $41.3 million in seven industrial buildings aggregating approximately 0.7 million square feet through two of the Company's co-investment joint ventures. Year to date, the Company has invested $283.4 million in operating properties, consisting of 42 industrial buildings aggregating approximately 4.5 million square feet, which included the investment of $126.1 million in 21 industrial buildings aggregating approximately 2.3 million square feet through three of the Company's co-investment joint ventures.

Year to date, the Company has contributed operating properties valued at $539.2 million, consisting of 111 industrial buildings aggregating approximately 10.8 million square feet, to three of its co-investment joint ventures. Year to date, the Company has recognized a gain of $19.4 million related to these contributions representing its partners' share of the gain.

The Company completed four development projects during the third quarter, which aggregated approximately 0.6 million square feet and had a total cost of $65.7 million. As of September 30, 2001, the Company had in its development pipeline: (1) 13 industrial projects, which will total approximately 3.8 million square feet and have an aggregate estimated investment of $204.6 million upon completion; (2) two retail projects, which will total approximately 0.2 million square feet and have an aggregate estimated investment of $34.6 million upon completion; and (3) three development projects available for sale, which will total approximately 0.8 million square feet and have an aggregate estimated investment of $81.0 million upon completion. As of September 30, 2001, the Company and its Development Alliance Partners have funded an aggregate of $221.2 million and will need to fund an estimated additional $99.0 million in order to complete current and planned projects.

AMB PROPERTY CORPORATION

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

4. Property Divestitures and Properties Held for Divestiture

During the quarter, the Company divested itself of ten industrial and two retail buildings, aggregating approximately 1.2 million square feet, for an aggregate price of $97.3 million, with a resulting net gain of $5.6 million, net of minority interests' share. Year to date, the Company divested itself of 23 industrial and two retail buildings, aggregating approximately 3.1 million square feet, for an aggregate price of $190.4 million, with a resulting net gain of $23.9 million, net of minority interests' share.

The Company has decided to divest itself of four retail centers and one industrial property, which are not in its core markets or which do not meet its strategic objectives. The divestitures of the properties are subject to negotiation of acceptable terms and other customary conditions. During the third quarter of 2001, the Company recognized an impairment loss of $10.0 million on two of its retail assets held for sale. As of September 30, 2001, the net carrying value of the properties held for divestiture was $106.1 million.

The following table summarizes the condensed results of operations of the properties held for divestiture (dollars in thousands):

Properties Held for Divestiture at September 30, 2001

Three months ended September 30,	2001	2000
Income	$1,920	$1,503
Property operating expenses	913	497
Interest expense	302	632
Depreciation expense	411	374
Net income	$ 294	$ —

Nine months ended September 30,	2001	2000
Income	$6,089	$4,227
Property operating expenses	2,540	1,381
Interest expense	1,013	1,548
Depreciation expense	1,036	1,030
Net income	$1,500	$ 268

AMB PROPERTY CORPORATION

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

5. Mortgages Receivable

In September 2000, the Company sold a retail center located in Los Angeles, California. As of September 30, 2001, the Company carried an 8.75% mortgage note in the principal amount of $79.0 million on the retail center. The maturity date of the mortgage note, which was originally scheduled to mature on October 1, 2001, had been extended to October 15, 2001. As of November 13, 2001, the borrower was in default, however, the Company is negotiating an extension on the maturity date and to change certain terms of the note. The Company has a first lien against the retail center as collateral for the mortgage note and believes that the underlying value of retail center is equal to or greater than the fair value of the mortgage note.

Through a wholly-owned subsidiary, the Company also holds a mortgage loan receivable on AMB Pier One, LLC, an unconsolidated joint venture. The note bears interest at 13.0% and matures in May 2026. As of September 30, 2001, the outstanding balance on the note was $13.2 million.

6. Debt

As of September 30, 2001 and December 31, 2000, debt consisted of the following (dollars in thousands):

	September 30, 2001	December 31, 2000
Secured debt, varying interest rates from 4.0% to 10.4% due November 2001 to June 2023 (weighted average interest rate of 7.6% at September 30, 2001)	$1,095,272	$ 930,418
Unsecured senior debt securities (weighted average interest rate of 7.3%) due June 2005 to June 2018	780,000	680,000
Unsecured credit facility, variable interest at LIBOR plus 75 basis points due May 2003	—	216,000
Alliance Fund II credit facility, variable interest at LIBOR plus 87.5 basis points (weighted average interest rate of 3.5% at September 30, 2001) due August 2003	125,000	—
Total before premiums	2,000,272	1,826,418
Unamortized premiums	7,529	9,858
Total consolidated debt	$2,007,801	$1,836,276

Secured debt generally requires monthly principal and interest payments. The secured debt is secured by deeds of trust on certain properties. As of September 30, 2001, the total gross investment book value of those properties securing the debt was $1.7 billion. All of the secured debt bears interest at fixed rates, except for three loans with an aggregate principal amount of $35.9 million, which bear interest at variable rates (with a weighted average interest rate of 4.3% at September 30, 2001). The secured debt has various financial and non-financial covenants and some loans are cross-collateralized. As of September 30, 2001, we had 21 non-recourse secured loans, which are cross collateralized by 41 properties. As of September 30, 2001, we had $430.5 million (not including unamortized debt premium) outstanding on these loans. Management believes that the Company and the Operating Partnership were in compliance with these covenants at September 30, 2001.

Interest on the senior debt securities is payable semi-annually. The 2015 notes are putable and callable in June 2005. The senior debt securities are subject to various financial and non-financial covenants. Management believes that the Company was in compliance with these covenants at September 30, 2001.

AMB PROPERTY CORPORATION

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

In August 2000, the Operating Partnership commenced a medium-term note program for the possible issuance of up to $400.0 million in principal amount of medium-term notes, which will be guaranteed by the Company. In September 2001, the Operating Partnership issued and sold $25.0 million of the notes under this program to Lehman Brothers Inc., as principal. The Company guaranteed the notes, which mature on September 6, 2011, and bear interest at 6.75%. The Operating Partnership used the net proceeds of $24.8 million for general corporate purposes, to partially repay indebtedness, and to acquire and develop additional properties. In March 2001, the Operating Partnership issued and sold $50.0 million of the notes under this program to First Union Securities, Inc., as principal. The Company guaranteed the notes, which mature on March 7, 2011, and bear interest at 7.00%. The Operating Partnership used the net proceeds of $49.7 million for general corporate purposes, to partially repay indebtedness, and to acquire and develop additional properties. In January 2001, the Operating Partnership issued and sold $25.0 million of the notes under this program to A.G. Edwards & Sons, Inc., as principal. The Company guaranteed the notes, which mature on January 30, 2006, and bear interest at 6.90%. The Operating Partnership used the net proceeds of $24.9 million for general corporate purposes, to partially repay indebtedness, and to acquire and develop additional properties. The notes have various financial and non-financial covenants. Management believes that the Company and the Operating Partnership were in compliance with these covenants at September 30, 2001.

In May 2000, the Operating Partnership entered into a $500.0 million unsecured revolving credit agreement. The Company is a guarantor of the Operating Partnership's obligations under the credit facility. The credit facility matures in May 2003, has a one-year extension option, and is subject to a 15 basis point annual facility fee, which is based on the Company's credit rating. The credit facility has various financial and non-financial covenants. Management believes that the Company and the Operating Partnership were in compliance with these covenants at September 30, 2001. The Operating Partnership has the ability to increase available borrowings to $700.0 million by adding additional banks to the facility or obtaining the agreement of existing banks to increase their commitments. Monthly debt service payments on the credit facility are interest only. The total amount available under the credit facility fluctuates based upon the borrowing base, as defined in the agreement governing the credit facility. At September 30, 2001, the remaining amount available under the credit facility was $500.0 million (excluding the additional $200.0 million of potential additional capacity).

In July 2001, AMB Institutional Alliance Fund II, L.P. ("Alliance Fund II") obtained a $150.0 million secured credit facility from Bank of America N.A. Borrowings currently bear interest at LIBOR plus 87.5 basis points, which includes the facility fee. As of September 30, 2001, the outstanding balance was $125.0 million and the remaining amount available was $25.0 million. The secured debt facility has various financial and non-financial covenants. Management believes that the Company and the Operating Partnership were in compliance with these covenants at September 30, 2001.

Capitalized interest related to construction projects for the three months ended September 30, 2001 and 2000, was $3.6 million and $4.3 million, respectively, and for the nine months ended September 30, 2001 and 2000, was $10.8 million and $11.5 million, respectively.

During the nine months ended September 30, 2001, the Operating Partnership retired $53.9 million of secured debt prior to maturity. The Operating Partnership recognized a net extraordinary loss of $0.4 million related to the early debt retirement.

AMB PROPERTY CORPORATION

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

The scheduled maturities of the Company's total debt, excluding unamortized debt premiums, as of September 30, 2001, were (dollars in thousands):

	Secured Debt	Joint Venture Debt	Unsecured Senior Debt Securities	Credit Facilities	Total
2001	$ 2,996	$ 9,014	$ —	$ —	$ 12,010
2002	28,194	51,937	—	—	80,131
2003	76,296	12,005	—	125,000	213,301
2004	65,285	25,791	—	—	91,076
2005	63,027	40,019	250,000	—	353,046
2006	94,966	72,166	25,000	—	192,132
2007	30,198	23,470	55,000	—	108,668
2008	33,604	145,108	175,000	—	353,712
2009	5,176	29,812	—	—	34,988
2010	52,780	69,205	75,000	—	196,985
2011	1,311	135,820	75,000	—	212,131
Thereafter	3,307	23,785	125,000	—	152,092
	$457,140	$638,132	$780,000	$125,000	$2,000,272

7. Minority Interests

Minority interests in the Company represent the limited partnership interests in the Operating Partnership and interests held by certain third parties in several real estate joint ventures, aggregating approximately 27.0 million square feet, which are consolidated for financial reporting purposes. Such investments are consolidated because: (1) the Company owns a majority interest; or (2) the Company exercises significant control over major operating decisions such as approval of budgets, selection of property managers, and changes in financing.

The Operating Partnership, together with one of the Company's other affiliates, owned, as of September 30, 2001, approximately 21% of the partnership interests in AMB Institutional Alliance Fund I, L.P. ("Alliance Fund I"). The Alliance Fund I is a co-investment partnership between the Operating Partnership and AMB Institutional Alliance REIT I, Inc. ("Alliance REIT I"), which includes 15 institutional investors as stockholders, and is engaged in the acquisition, ownership, operation, management, renovation, expansion, and development of primarily industrial buildings in target markets nationwide. As of September 30, 2001, the Alliance Fund I had received equity contributions from third party investors totaling $169.0 million, which, when combined with anticipated debt financings and the Company's investment, creates a total planned capitalization of $410.0 million. The Operating Partnership is the managing general partner of the Alliance Fund I.

On February 14, 2001, the Company formed a partnership, AMB Partners II, L.P. ("Partners II"), with the City and County of San Francisco Employees' Retirement System ("CCSFERS") to acquire, manage, develop, and redevelop distribution facilities nationwide. As of September 30, 2001, Partners II had received an equity contribution from CCSFERS of $50.0 million, which, when combined with anticipated debt financings and the Company's investment, creates a total planned capitalization of $250.0 million. The Operating Partnership is the managing general partner of Partners II and owned, as of September 30, 2001, approximately 50% of Partners II.

AMB PROPERTY CORPORATION

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

On March 26, 2001, the Company formed a joint venture, AMB-SGP, L.P. ("AMB-SGP"), with a subsidiary of GIC Real Estate Pte Ltd., the real estate investment subsidiary of the Government of Singapore Investment Corporation ("GIC"), to own and operate, through a private real estate investment trust, distribution facilities nationwide. As of September 30, 2001, AMB-SGP had received an equity contribution from GIC of $75.0 million, which, when combined with anticipated debt financings and the Company's investment in properties, creates a total planned capitalization of $335.0 million. The Operating Partnership is the managing general partner of AMB-SGP and owned, as of September 30, 2001, approximately 50.3% of AMB-SGP.

On June 28, 2001, the Company formed AMB Institutional Alliance Fund II, L.P. ("Alliance Fund II"). The Operating Partnership owns, as of September 30, 2001, approximately 20% of the partnership interests in the Alliance Fund II. The Alliance Fund II is a co-investment partnership between the Operating Partnership and AMB Institutional Alliance REIT II, Inc. ("Alliance REIT II"). The Alliance REIT II included 12 institutional investors as stockholders as of September 30, 2001, and 14 institutional investors as stockholders as of its final closing on October 9, 2001. The Alliance Fund II is engaged in the acquisition, ownership, operation, management, renovation, expansion, and development of primarily industrial buildings in target markets nationwide. As of September 30, 2001, the Alliance Fund II had received equity commitments from third party investors totaling $181.8 million, which, when combined with anticipated debt financings and the Company's investment, created a total planned capitalization of $456.1 million. Subsequently, on October 9, 2001, the Alliance Fund II received additional equity commitments of $13.6 million at its final closing. Therefore, as of October 9, 2001, the Alliance Fund II had received total equity commitments from third party investors of $195.4 million, which, when combined with anticipated debt financings and the Company's investment, creates a total planned capitalization of $488.6 million. The Operating Partnership is the managing general partner of the Alliance Fund II.

The following table distinguishes the minority interest liability and the minority interests' share of net income (dollars in thousands):

	Liability	Share of Net Income	
	As of September 30, 2001	For the Three Months Ended September 30, 2001	For the Nine Months Ended September 30, 2001
Joint Venture Partners	$ 377,519	$ 8,756	$ 20,166
Limited Partners in the Operating Partnership	99,705	1,800	6,158
Series B preferred units (liquidation preference of $65,000)	62,319	1,402	4,206
Series C preferred units (liquidation preference of $110,000)	105,844	2,406	7,218
Series D preferred units (liquidation preference of $79,767)	77,687	1,545	4,635
Series E preferred units (liquidation preference of $11,022)	10,788	214	642
Series F preferred units (liquidation preference of $19,872)	19,597	395	1,185
Series G preferred units (liquidation preference of $1,000)	954	20	60
Series H preferred units (liquidation preference of $42,000)	40,915	853	2,559
Series I preferred units (liquidation preference of $25,500)	24,821	510	1,043
Series J preferred units (liquidation preference of $40,000)	38,909	78	78
Total	$ 859,058	$ 17,979	$ 47,950

8. Investments in Unconsolidated Joint Ventures

The Company has non-controlling limited partnership interests in three separate unconsolidated joint ventures; the Company accounts for the joint ventures using the equity method of accounting. The Company has a 56.1% interest in a joint venture, which owns an aggregate of 36 industrial buildings totaling approximately 4.0 million square feet. The Company also has a 50% interest in each of two other operating and development alliance joint ventures. For the three months ended September 30, 2001 and 2000, the Company's share of net operating income in the unconsolidated joint ventures was $2.7 million and $2.2 million, respectively, and for the nine months ended September 30, 2001 and 2000, the Company's share of net operating income in the unconsolidated joint ventures was $7.8 million and $6.3 million, respectively. As of September 30, 2001, the Company's share of the unconsolidated joint ventures' debt was $32.7 million, with a weighted average interest rate of 5.7% and a weighted average maturity of 4.6 years.

9. Stockholders' Equity

On September 21, 2001, the Operating Partnership issued and sold 800,000 7.95% Series J Cumulative Redeemable Preferred Limited Partnership Units at a price of $50.00 per unit in a private placement. Distributions are cumulative from the date of issuance and payable quarterly in arrears. The Series J Preferred Units are redeemable by the Operating Partnership on or after September 21, 2006, subject to certain conditions, for cash at a redemption price equal to $50.00 per unit, plus accumulated and unpaid distributions thereon, if any, to the redemption date. The Series J Preferred Units are exchangeable, at specified times and subject to certain conditions, on a one-for-one basis, for shares of the Company's Series J Preferred Stock. The Operating Partnership used the net proceeds of $38.9 million for general corporate purposes, which may include the partial repayment of indebtedness or the acquisition or development of additional properties.

On March 21, 2001, AMB Property II, L.P., one of the Company's subsidiaries, issued and sold 510,000 8.00% Series I Cumulative Redeemable Preferred Limited Partnership Units at a price of $50.00 per unit in a private placement. Distributions are cumulative from the date of issuance and payable quarterly in arrears at a rate per unit equal to $4.00 per annum. The Series I Preferred Units are redeemable by AMB Property II, L.P. on or after March 21, 2006, subject to certain conditions, for cash at a redemption price equal to $50.00 per unit, plus accumulated and unpaid distributions thereon, if any, to the redemption date. The Series I Preferred Units are exchangeable, at specified times and subject to certain conditions, on a one-for-one basis, for shares of the Company's Series I Preferred Stock. AMB Property II, L.P. used the net proceeds of $24.9 million to repay advances from the Operating Partnership and to make a loan to the Operating Partnership. The Operating Partnership used the funds to partially repay borrowings under its unsecured credit facility and for general corporate purposes. The loan bears interest at 8.0% per annum and is payable on demand.

During the third quarter of 2001, the Company redeemed 218,092 and 23,700 common limited partnership units of the Operating Partnership for cash and shares of its common stock, respectively. During the first quarter of 2001, the Company redeemed 598,297 common limited partnership units of the Operating Partnership for shares of its common stock.

The Company's board of directors approved a stock repurchase program in 1999 for the repurchase of up to $100.0 million worth of common stock. During the quarter ended September 30, 2001, the Company repurchased 907,700 shares of its common stock at an average purchase price of $23.68 per share under this program. During the quarter ended June 30, 2001, the Company repurchased 25,000 shares of its common stock at a purchase price of $22.80 per share under this program. Through September 30, 2001, the Company has repurchased 2,376,300 shares of its common stock at an average purchase price of $20.77 per share. The Company's stock repurchase program expires in December 2001.

AMB PROPERTY CORPORATION

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

The Company's board of directors declared a regular cash dividend for the quarter ending September 30, 2001, of $0.395 per share of common stock and the Operating Partnership declared a regular cash distribution for the quarter ending September 30, 2001, of $0.395 per common unit. The dividends and distributions were payable on October 15, 2001, to stockholders and unitholders of record on October 4, 2001. The Series A, B, C, E, F, G, and J preferred stock and unit dividends and distributions were also payable on October 15, 2001, to stockholders and unitholders of record on October 4, 2001. The Series D, H, and I preferred unit distributions were payable on September 25, 2001, to unitholders of record on September 15, 2001. The following table sets forth the dividend payments and distributions for the three and nine months ended September 30, 2001 and 2000:

		For the Three Months Ended September 30,		For the Nine Months Ended September 30,	
Security	Paying Entity	2001	2000	2001	2000
Common stock	Company	$0.395	$0.370	$1.185	$1.110
Operating Partnership units	Operating Partnership	$0.395	$0.370	$1.185	$1.110
Series A preferred stock	Company	$0.531	$0.531	$1.594	$1.594
Series A preferred units	Operating Partnership	$0.531	$0.531	$1.594	$1.594
Series B preferred units	Operating Partnership	$1.078	$1.078	$3.234	$3.234
Series C preferred units	AMB Property II, L.P.	$1.094	$1.094	$3.281	$3.281
Series D preferred units	AMB Property II, L.P.	$0.969	$0.969	$2.906	$2.906
Series E preferred units	AMB Property II, L.P.	$0.969	$0.969	$2.906	$2.906
Series F preferred units	AMB Property II, L.P.	$0.994	$0.994	$2.952	$2.097
Series G preferred units	AMB Property II, L.P.	$0.994	$0.357	$2.982	$0.357
Series H preferred units	AMB Property II, L.P.	$1.016	$0.282	$3.048	$0.282
Series I preferred units	AMB Property II, L.P.	$1.000	n/a	$2.044	n/a
Series J preferred units	Operating Partnership	$0.097	n/a	$0.097	n/a

10. Income Per Share

The Company's only dilutive securities outstanding for the three and nine months ended September 30, 2001 and 2000, were stock options and restricted stock granted under its stock incentive plan. The effect on income per share was to increase weighted average shares outstanding. Such dilution was computed using the treasury stock method.

	For the Three Months Ended September 30,		For the Nine Months Ended September 30,	
	2001	2000	2001	2000
WEIGHTED AVERAGE COMMON SHARES				
Basic	84,395,107	84,115,613	84,135,158	83,937,884
Stock options and restricted stock	1,249,733	609,496	962,534	299,977
Diluted	85,644,840	84,725,109	85,097,692	84,237,861

AMB PROPERTY CORPORATION

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

11. Segment Information

The Company operates industrial and retail properties nationwide and manages its business both by property type and by market. Industrial properties consist primarily of warehouse distribution facilities suitable for single or multiple tenants and are typically comprised of multiple buildings that are leased to tenants engaged in various types of businesses. As of September 30, 2001, the Company operated industrial properties in eight hub and gateway markets in addition to 18 other markets nationwide. As of September 30, 2001, the Company operated retail properties in Miami, Atlanta, Chicago, the San Francisco Bay Area, Boston, and Baltimore. The Company has so few retail properties that it does not separately report its retail operations by market. Retail properties are generally leased to one or more anchor tenants, such as grocery and drug stores, and various retail businesses. The accounting policies of the segments are the same as those described in the Company's Annual Report on Form 10-K and Form 10-K/A for the year ended December 31, 2000. The Company evaluates performance based upon property net operating income of the combined properties in each segment. The Company's geographic markets for industrial properties are managed separately because each market requires different operating, pricing, and leasing strategies.

During the first quarter of 2001, the Company split its industrial segment into geographic hub and gateway markets and other markets. Within the hub and gateway market categorization, the Company operates in eight major U.S. markets. The other industrial markets category captures all of the Company's other smaller markets nationwide. The 2000 rental revenue and net operating income disclosure below has been restated to reflect this change. Summary information for the reportable segments is as follows (dollars in thousands):

	Rental Revenues(1)		Property NOI(1)(2)	
	For the Three Months Ended September 30,		For the Three Months Ended September 30,	
	2001	2000	2001	2000
Industrial Hub & Gateway Markets:				
Atlanta	$ 7,218	$ 6,036	$ 5,775	$ 4,979
Chicago	10,416	9,191	7,492	6,323
Dallas/Ft. Worth	8,369	6,775	5,328	4,792
No. New Jersey/New York	10,846	9,790	7,367	7,614
San Francisco Bay Area	28,033	20,107	23,374	16,389
Southern California	16,201	9,585	12,693	7,846
Miami	7,877	4,802	6,108	3,623
Seattle	6,679	5,832	5,201	4,784
Total hub & gateway markets	95,639	72,118	73,338	56,350
Total other industrial markets	40,108	37,451	29,343	28,166
Total retail markets	6,229	7,109	3,946	4,768
Total properties	$141,976	$116,678	$106,627	$89,284

(1) Excludes straight-line rents of $4.1 million and $1.8 million for the three months ended September 30, 2001 and 2000, respectively.

(2) Property net operating income is defined as rental revenue, including reimbursements and excluding straight-line rents, less property level operating expenses, excluding depreciation, amortization, general and administrative expenses, and interest expense.

AMB PROPERTY CORPORATION

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

	Rental Revenues(1)		Property NOI(1)(2)		Total Gross Investment(3)	
	For the Nine Months Ended September 30,		For the Nine Months Ended September 30,			
	2001	2000	2001	2000	September 30, 2001	December 31, 2000
Industrial Hub & Gateway Markets:						
Atlanta	$ 21,207	$ 17,112	$ 17,031	$ 14,103	$ 265,456	$ 225,352
Chicago	30,333	28,657	20,800	19,867	337,203	303,489
Dallas/ Ft. Worth	24,600	19,392	16,042	13,892	237,917	240,933
No. New Jersey/ New York	33,379	23,869	23,628	18,550	402,694	382,285
San Francisco Bay Area	77,993	56,756	65,668	46,550	769,979	641,137
Southern California	46,514	26,747	37,248	21,775	618,744	552,055
Miami	24,696	13,832	18,541	10,481	297,161	281,710
Seattle	19,615	16,525	15,292	13,555	211,634	203,786
Total hub & gateway markets	278,337	202,890	214,250	158,773	3,140,788	2,830,747
Total other industrial markets	116,484	105,968	85,099	79,158	1,237,897	1,045,455
Total retail markets	19,025	21,340	12,588	14,812	55,162	150,395
Total properties	$413,846	$330,198	$311,937	$252,743	$4,433,847	$4,026,597

(1) Excludes straight-line rents of $7.6 million and $7.2 million for the nine months ended September 30, 2001 and 2000, respectively.

(2) Property net operating income is defined as rental revenue, including reimbursements and excluding straight-line rents, less property level operating expenses, excluding depreciation, amortization, general and administrative expenses, and interest expense.

(3) Excludes net properties held for divestiture of $106.1 million, which is comprised of $18.9 million in industrial and $87.2 million in retail properties, as of September 30, 2001, and $197.1 million, which is comprised of $158.7 million in industrial and $38.4 million in retail properties, as of December 31, 2000.

AMB PROPERTY CORPORATION

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

The Company uses property net operating income as an operating performance measure. The following table reconciles total reportable segment revenue and property net operating income to rental revenues and income from operations (dollars in thousands):

	For the Three Months Ended September 30,		For the Nine Months Ended September 30,	
	2001	2000	2001	2000
Rental Revenues				
Total rental revenues for reportable segments	$141,976	$116,678	$413,846	$330,198
Straight-line rents	4,113	1,815	7,579	7,158
Total rental revenues	$146,089	$118,493	$421,425	$337,356
Income from Operations				
Property net operating income for reportable segments	$106,627	$ 89,284	$311,937	$252,743
Straight-line rents	4,113	1,815	7,579	7,158
Equity in earnings of unconsolidated joint ventures	1,636	1,447	4,365	4,006
Investment management income	2,340	940	8,022	2,160
Other income	5,392	491	12,505	1,651
Less:				
Interest, including amortization	(32,996)	(22,562)	(94,754)	(62,906)
Depreciation and amortization	(38,961)	(23,312)	(93,138)	(65,135)
General, administrative, and other	(8,796)	(5,987)	(26,180)	(17,322)
Loss on investments in other companies	—	—	(20,758)	—
Income from operations	$ 39,355	$ 42,116	$109,578	$122,355

12. Commitments and Contingencies

Litigation. In the normal course of business, from time to time, the Company is involved in legal actions relating to the ownership and operations of its properties. In management’s opinion, the liabilities, if any, that may ultimately result from such legal actions are not expected to have a material adverse effect on the consolidated financial position, results of operations, or cash flows of the Company.

Environmental Matters. The Company monitors its properties for the presence of hazardous or toxic substances. The Company is not aware of any environmental liability with respect to the properties that would have a material adverse effect on the Company’s business, assets, or results of operations. However, there can be no assurance that such a material environmental liability does not exist. The existence of any such material environmental liability would have an adverse effect on the Company’s results of operations and cash flow.

General Uninsured Losses. The Company carries property and rental loss, liability, flood, and environmental insurance. The Company believes that the policy terms and conditions, limits, and deductibles are adequate and appropriate under the circumstances, given the relative risk of loss, the cost of such coverage, and industry practice. In addition, certain of the Company’s properties are located in areas that are subject to earthquake activity; therefore, the Company has obtained limited earthquake insurance on those properties. There are, however, certain types of extraordinary losses that may be either uninsurable or not economically insurable. Should an uninsured loss occur, the Company could lose its investment in, and anticipated profits and cash flows from, a property.

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

You should read the following discussion and analysis of our consolidated financial condition and results of operations in conjunction with the Notes to Condensed Consolidated Financial Statements. Statements contained in this discussion that are not historical facts may be forward-looking statements. Such statements relate to our future performance and plans, results of operations, capital expenditures, acquisitions, and operating improvements and costs. You can identify forward-looking statements by the use of forward-looking terminology such as "believes," "expects," "may," "will," "should," "seeks," "approximately," "intends," "plans," "pro forma," "estimates," or "anticipates" or the negative of these words and phrases or similar words or phrases. You can also identify forward-looking statements by discussions of strategy, plans, or intentions. Forward-looking statements involve numerous risks and uncertainties and you should not rely upon them as predictions of future events. There is no assurance that the events or circumstances reflected in forward-looking statements will occur or be achieved. Forward-looking statements are necessarily dependent on assumptions, data, or methods that may be incorrect or imprecise and we may not be able to realize them.

The following factors, among others, could cause actual results and future events to differ materially from those set forth or contemplated in the forward-looking statements:

- *defaults or non-renewal of leases by tenants;*
- *increased interest rates and operating costs;*
- *our failure to obtain necessary outside financing;*
- *difficulties in identifying properties to acquire and in effecting acquisitions;*
- *our failure to successfully integrate acquired properties and operations;*
- *our failure to divest of properties that we have contracted to sell or to timely reinvest proceeds from any such divestitures;*
- *risks and uncertainties affecting property development and construction (including construction delays, cost overruns, our inability to obtain necessary permits, and public opposition to these activities);*
- *our failure to qualify and maintain our status as a real estate investment trust under the Internal Revenue Code of 1986;*
- *environmental uncertainties;*
- *risks related to natural disasters;*
- *financial market fluctuations;*
- *changes in real estate and zoning laws; and*
- *increases in real property tax rates.*

Our success also depends upon economic trends generally, including interest rates, income tax laws, governmental regulation, legislation, population changes, and those other risk factors discussed in the section entitled "Business Risks" in this report. We caution you not to place undue reliance on forward-looking statements, which reflect our analysis only and speak as of the date of this report or as of the dates indicated in the statements.

Unless the context otherwise requires, the terms "we," "us," and "our" refer to AMB Property Corporation and the other controlled subsidiaries, and the references to AMB Property Corporation include AMB Property, L.P. and the other controlled subsidiaries. The following marks are our registered trademarks: AMB®; Customer Alliance Partners®; Customer Alliance Program®; Development Alliance Partners®; Development Alliance Program®; High Throughput Distribution®; Institutional Alliance Partners®; Institutional Alliance Program®; Management Alliance Partners®; Management Alliance Program®; UPREIT Alliance Partners®; and UPREIT Alliance Program®. The following marks are our unregistered trademarks: Broker Alliance Partners™; Broker Alliance Program™; HTD™; Strategic Alliance Partners™; and Strategic Alliance Programs™.

THE COMPANY

AMB Property Corporation, a Maryland corporation, is one of the leading owners and operators of industrial real estate nationwide. Our investment strategy is to become a leading provider of High Throughput Distribution, or HTD, properties located near key passenger and cargo airports, highway systems and ports in major metropolitan areas, such as Atlanta, Chicago, Dallas/ Fort Worth, Northern New Jersey/ New York City, the San Francisco Bay Area, Southern California, Miami, and Seattle. Within each of our markets, we focus our investments in in-fill submarkets. In-fill sub-markets are characterized by supply constraints on the availability of land for competing projects. High Throughput Distribution facilities are designed to serve the high-speed, high-value freight handling needs of today's supply chain, as opposed to functioning as long-term storage facilities. We believe that the rapid growth of the airfreight business, the outsourcing of supply chain management to third party logistics companies and e-commerce are indicative of the changes that are occurring in the supply chain and the manner in which goods are distributed. In addition, we believe that inventory levels as a percentage of final sales are falling and that goods are moving more rapidly through the supply chain. As a result, we intend to focus our investment activities primarily on industrial properties that we believe will benefit from these changes.

As of September 30, 2001, we owned and operated 876 industrial buildings and seven retail centers, totaling approximately 79.7 million rentable square feet, located in 26 markets nationwide. As of September 30, 2001, our industrial and retail properties were 96.6% and 87.6% leased, respectively. As of September 30, 2001, through our subsidiary, AMB Investment Management, we also managed industrial buildings and retail centers, totaling approximately 3.3 million rentable square feet on behalf of various clients. In addition, we have invested in industrial buildings, totaling approximately 4.9 million rentable square feet, through unconsolidated joint ventures.

As of September 30, 2001, we had four retail centers and one industrial property, which were held for divestiture. In addition, during the quarter, we disposed of ten industrial buildings and two retail properties, aggregating approximately 1.2 million rentable square feet, for an aggregate price of $97.3 million. Year to date, we have disposed of 23 industrial buildings and two retail buildings, aggregating approximately 3.1 million rentable square feet, for an aggregate price of $190.4 million. Over the next few years, we intend to dispose of non-strategic assets and redeploy the resulting capital into High Throughput Distribution properties that better fit our current investment focus.

Through our subsidiary, AMB Property, L.P., a Delaware limited partnership, we are engaged in the acquisition, ownership, operation, management, renovation, expansion, and development of primarily industrial properties in target markets nationwide. We refer to AMB Property, L.P. as the operating partnership. As of September 30, 2001, we owned an approximate 94.4% general partnership interest in the operating partnership, excluding preferred units. As the sole general partner of the operating partnership, we have the full, exclusive, and complete responsibility and discretion in the day-to-day management and control of the operating partnership.

Through the operating partnership, we enter into co-investment joint ventures with institutional investors. These co-investment joint ventures provide us with an additional source of capital to fund certain acquisitions, development projects, and renovation projects. As of September 30, 2001, we had investments in five co-investment joint ventures, which are consolidated for financial reporting purposes.

The operating partnership is the managing general partner of AMB Institutional Alliance Fund I, L.P. and, together with one of our other affiliates, owns, as of September 30, 2001, approximately 21% of the partnership interests in the Alliance Fund I. The Alliance Fund I is a co-investment partnership between us and AMB Institutional Alliance REIT I, Inc., a limited partner of the Alliance Fund I, which includes 15 institutional investors as stockholders and is engaged in the acquisition, ownership, operation, management, renovation, expansion, and development of primarily industrial buildings in target markets nationwide. As of September 30, 2001, the Alliance Fund I had received equity contributions from third party investors totaling $169.0 million, which, when combined with anticipated debt financings and our investment, creates a total planned capitalization of $410.0 million. The operating partnership is the managing general partner of the Alliance Fund I.

On February 14, 2001, we formed AMB Partners II, L.P. with the City and County of San Francisco Employees' Retirement System to acquire, develop, and redevelop distribution facilities nationwide. As of September 30, 2001, AMB Partners II had received an equity contribution from third party investors of $50.0 million, which, when combined with anticipated debt financings and our investment, creates a total planned capitalization of $250.0 million. The operating partnership is the managing general partner of AMB Partners II, L.P. and owned, as of September 30, 2001, 50% of AMB Partners II, L.P.

On March 26, 2001, we formed a joint venture, AMB-SGP, L.P., with a subsidiary of GIC Real Estate Pte Ltd., the real estate investment subsidiary of the Government of Singapore Investment Corporation, to own and operate, through a private real estate investment trust, distribution facilities nationwide. As of September 30, 2001, AMB-SGP, L.P. had received an equity contribution from GIC of $75.0 million, which, when combined with anticipated debt financings and our investment, creates a total planned capitalization of $335.0 million. The operating partnership is the managing general partner of AMB-SGP, L.P. and owned, as of September 30, 2001, approximately 50.3% of AMB-SGP, L.P.

On June 28, 2001, we formed AMB Institutional Alliance Fund II, L.P. The operating partnership is the managing general partner and owned, as of September 30, 2001, approximately 20% of the partnership interests in the Alliance Fund II. The Alliance Fund II is a co-investment partnership between us and AMB Institutional Alliance REIT II, Inc., a limited partner of the Alliance Fund II, which includes 12 institutional investors as stockholders as of September 30, 2001. The Alliance Fund II is engaged in the acquisition, ownership, operation, management, renovation, expansion, and development of primarily industrial buildings in target markets nationwide. As of September 30, 2001, the Alliance Fund II had received equity commitments from third party investors totaling $181.8 million, which, when combined with anticipated debt financings and our investment, creates a total planned capitalization of $456.1 million. Subsequently, on October 9, 2001, the Alliance Fund II received additional equity commitments of $13.6 million at its final closing. Therefore, as of October 9, 2001, the Alliance Fund II had received total equity commitments from third party investors of $195.4 million, which, when combined with anticipated debt financings and the Company's investment, creates a total planned capitalization of $488.6 million.

We are self-administered and self-managed and expect that we have qualified and will continue to qualify as a real estate investment trust for federal income tax purposes beginning with the year ending December 31, 1997. As a self-administered and self-managed real estate investment trust, our own employees perform our administrative and management functions, rather than our relying on an outside manager for these services. The principal executive office of AMB Property Corporation and the operating partnership is located at Pier 1, Bay 1, San Francisco, CA 94111, and our telephone number is (415) 394-9000. We also maintain a regional office in Boston, Massachusetts.

Acquisition and Development Activity

During the quarter, we invested $118.1 million in operating properties, consisting of 16 industrial buildings aggregating approximately 1.7 million square feet, including the investment of $41.3 million in seven industrial buildings, aggregating approximately 0.7 million square feet, for two of our co-investment joint ventures. Year to date, we have invested $283.4 million in operating properties, consisting of 42 industrial buildings aggregating approximately 4.5 million square feet, including the investment of $126.1 million in 17 industrial buildings, aggregating approximately 2.3 million square feet, for three of our co-investment joint ventures.

Year to date, we also have contributed $539.2 million in operating properties, consisting of 111 industrial buildings aggregating approximately 10.8 million square feet, to three of our co-investment joint ventures. Year to date, we have recognized gains of $19.4 million on the contributions.

We also completed three industrial projects and one retail development project during the third quarter, which aggregated approximately 0.6 million square feet and had a total cost of $65.7 million. As of September 30, 2001, we had in our development pipeline: (1) 13 industrial projects, which will total approximately 3.8 million square feet and have a total estimated investment of $204.6 million upon completion; (2) two retail projects, which will total approximately 0.2 million square feet and have a total

estimated investment of $34.6 million upon completion; and (3) three development projects available for sale, which will total approximately 0.8 million square feet and have an aggregate estimated investment of $81.0 million upon completion. As of September 30, 2001, we and our Development Alliance Partners have funded an aggregate of $221.2 million and will need to fund an estimated additional $99.0 million in order to complete projects currently under construction.

Operating Strategy

We are a full-service real estate company with in-house expertise in acquisitions, development and redevelopment, asset management and leasing, finance and accounting, and market research. We have long-standing relationships with many real estate management and development firms across the country, our Strategic Alliance Partners.

We believe that real estate is fundamentally a local business and that the most effective way for us to operate is by forging alliances with service providers in every market. We believe that these collaborations allow us to: (1) leverage our national presence with the local market expertise of brokers, developers, and property managers; (2) improve the operating efficiency and flexibility of our national portfolio; (3) strengthen customer satisfaction and retention; and (4) provide a continuous pipeline of growth.

We believe that our partners give us local market expertise and flexibility allowing us to focus on our core competencies: developing and refining our strategic approach to real estate investment and management and raising private capital to finance growth and enhance returns to stockholders.

Growth Strategies

Growth Through Operations

We seek to generate internal growth through rent increases on existing space and renewal on re-tenanted space. We do this by maintaining a high occupancy rate at our properties and by controlling expenses by capitalizing on the economies of owning, operating, and growing a large national portfolio. As of September 30, 2001, our industrial properties and retail centers were 96.6% leased and 87.6% leased, respectively. Year to date, we have increased average industrial base rental rates (on a cash basis) by 27.8% from the expiring rent for that space, on leases entered into or renewed during the period. This amount excludes expense reimbursements, rental abatements, and percentage rents. Year to date, we also have increased same-store net operating income by 7.2% on our industrial properties.

Growth Through Acquisitions and Capital Redeployment

We believe that our significant acquisition experience, our alliance-based operating strategy, and our extensive network of property acquisition sources will continue to provide opportunities for external growth. We believe that our relationships with third party local property management firms through our Management Alliance Program also will create acquisition opportunities, as such managers market properties on behalf of sellers. Our operating structure also enables us to acquire properties through our UPREIT Alliance Program in exchange for limited partnership units in the operating partnership, thereby enhancing our attractiveness to owners and developers seeking to transfer properties on a tax-deferred basis. In addition to acquisitions, we seek to redeploy capital from non-strategic assets into properties that better fit our current investment focus.

We are generally in various stages of negotiations for a number of acquisitions and dispositions, which may include acquisitions and dispositions of individual properties, acquisitions of large multi-property portfolios, and acquisitions of other real estate companies. There can be no assurance that we will consummate any of these transactions. Such transactions, if we consummate them, may be material individually or in the aggregate. Sources of capital for acquisitions may include undistributed cash flow from operations, borrowings under the operating partnership's unsecured credit facility, other forms of secured or unsecured debt financing, issuances of debt or equity securities by us or the operating partnership (including issuances of units in the operating partnership or its subsidiaries), proceeds from divestitures of properties, and assumption of debt related to the acquired properties.

Growth Through Development

We believe that renovation and expansion of value-added properties and development of well-located, high-quality industrial properties should continue to provide us with attractive opportunities for increased cash flow and a higher rate of return than we may obtain from the purchase of fully leased, renovated properties. Value-added properties are typically characterized as properties with available space or near-term leasing exposure, undeveloped land acquired in connection with another property that provides an opportunity for development, or properties that are well located but require redevelopment or renovation. Value-added properties require significant management attention or capital investment to maximize their return. We have developed the in-house expertise to create value through acquiring and managing value-added properties and believe that our national market presence and expertise will enable us to continue to generate and capitalize on these opportunities. Through our Development Alliance Program, we have established strategic alliances with national and regional developers to enhance our development capabilities.

The multidisciplinary backgrounds of our employees provide us with the skills and experience to capitalize on strategic renovation, expansion, and development opportunities. Several of our officers have extensive experience in real estate development, both with us and with national development firms. We generally pursue development projects in joint ventures with local developers. This way, we leverage the development skill, access to opportunities, and capital of such developers, and we eliminate the need and expense of an in-house development staff. Under a typical joint venture agreement with a Development Alliance Partner, we would fund 95% of the construction costs and our partner would fund 5%. Upon completion, we generally would purchase our partner’s interest in the joint venture.

Growth Through Co-Investments

We co-invest with third party partners (some of whom may be clients of AMB Investment Management, Inc., to the extent such clients newly commit investment capital), through partnerships, limited liability companies, or joint ventures. We currently use a co-investment formula with each third party whereby we will own at least a 20% interest in all ventures. We currently have five co-investment joint ventures. In general, we control all significant operating and investment decisions of our co-investment entities.

AMB Investment Management

AMB Investment Management, Inc. provides real estate investment management services on a fee basis to clients. As of May 31, 2001, the operating partnership held all of the outstanding capital stock of AMB Investment Management. AMB Investment Management, Inc. conducts its operations through AMB Investment Management Limited Partnership, a Maryland limited partnership, of which it is the sole general partner.

Headlands Realty Corporation

Headlands Realty Corporation conducts a variety of businesses that include incremental income programs, such as our AMB CustomerAssist Program and development projects available for sale to third parties. As of May 31, 2001, the operating partnership holds all of the outstanding capital stock of Headlands Realty Corporation.

RESULTS OF OPERATIONS

The analysis below includes changes attributable to acquisitions, development activity and divestitures and the changes resulting from properties that we owned during both the current and prior year reporting periods, excluding development properties prior to being stabilized (generally defined as 90% leased). We refer to these properties as the same store properties. For the comparison between the three and nine months ended September 30, 2001 and 2000, the same store industrial properties consisted of properties aggregating approximately 60.2 million square feet. The properties acquired in 2000 consisted of 145 buildings, aggregating approximately 10.5 million square feet, and the properties acquired during the nine months of 2001 consisted of 42 buildings, aggregating 4.5 million square feet. In 2000, property divestitures consisted of one retail center and 25 industrial buildings, aggregating approximately 2.5 million square feet, and property divestitures during the first nine months of 2001 consisted of 23 industrial and two retail buildings, aggregating approximately 3.1 million square feet. Our future financial condition and results of operations, including rental revenues, may be impacted by the acquisition of additional properties and dispositions. Our future revenues and expenses may vary materially from historical rates.

Three Months Ended September 30, 2001 Compared to the Three Months Ended September 30, 2000 (dollars in millions):

Rental Revenues	2001	2000	$ Change	% Change
Same store	$100.8	$ 95.6	$ 5.2	5.4%
2000 acquisitions	29.2	9.8	19.4	198.0%
2001 acquisitions	6.6	—	6.6	—
Developments	1.7	0.7	1.0	142.9%
Divestitures	3.7	10.6	(6.9)	(65.1)%
Straight-line rents	4.1	1.8	2.3	127.8%
Total	$146.1	$118.5	$ 27.6	23.3%

The growth in rental revenues in same store properties resulted primarily from the incremental effect of cash rental rate increases on renewals and rollovers, fixed rent increases on existing leases, and reimbursement of expenses, partially offset by lower same-store industrial occupancy of 96.5% at September 30, 2001, compared to 97.2% at September 30, 2000. During the three months ended September 30, 2001, the same store rent increases on industrial renewals and rollovers (cash basis) was 16.8% on 2.7 million square feet leased.

Investment Management and Other Income	2001	2000	$ Change	% Change
Equity in earnings of unconsolidated JVs	$1.6	$1.5	$ 0.1	6.7%
Investment management income	2.3	0.9	1.4	155.6%
Interest and other income	5.4	0.5	4.9	980.0%
Total	$9.3	$2.9	$ 6.4	220.7%

The $1.4 million increase in investment management income was due primarily to increased management fees and priority distributions from our co-investment joint ventures. The $4.9 million increase in interest and other income was primarily due to interest income from our mortgage note on the retail center that we sold in 2000 and interest income resulting from increased average cash balances.

Property Operating Expenses and Real Estate Taxes	2001	2000	$ Change	% Change
(Exclusive of depreciation and amortization)				
Rental expenses	$17.9	$13.4	$ 4.5	33.6%
Real estate taxes	17.4	14.0	3.4	24.3%
Property operating expenses	$35.3	$27.4	$ 7.9	28.8%
Same store	$23.3	$22.7	$ 0.6	2.6%
2000 acquisitions	8.5	2.0	6.5	325.0%
2001 acquisitions	1.3	—	1.3	—
Developments	1.2	0.1	1.1	—
Divestitures	1.0	2.6	(1.6)	(61.5)%
Total	$35.3	$27.4	$ 7.9	28.8%

The increase in same store properties' operating expenses primarily relates to increases in insurance expense of $0.6 million.

Other Expenses	2001	2000	$ Change	% Change
Interest, including amortization	$33.0	$22.6	$ 10.4	46.0%
Depreciation and amortization	39.0	23.3	15.7	67.4%
General and administrative	8.8	6.0	2.8	46.7%
Total	$80.8	$51.9	$ 28.9	55.7%

The increase in interest expense was primarily due to the issuance of additional unsecured senior debt securities and an increase in secured debt balances, partially offset by a decrease in credit facility balances. The secured debt issuances were primarily for our co-investment joint ventures' properties. The increase in depreciation expense was due to unrealized losses on assets held for sale of $10.0 million and the increase in our net investment in real estate. The increase in general and administrative expenses was primarily due to increased personnel and occupancy costs. In addition, the consolidation of AMB Investment Management, Inc. and Headlands Realty Corporation on May 31, 2001, resulted in an increase in general and administrative expenses of $0.5 million.

During the three months ended September 30, 2001, we retired $43.5 million of secured debt prior to maturity primarily in connection with property divestitures. We recognized a net extraordinary gain of $0.1 million related to the early retirement of debt, resulting from the write-off of debt premiums partially offset by prepayment penalties.

Nine Months Ended September 30, 2001 Compared to the Nine Months Ended September 30, 2000 (dollars in millions):

Rental Revenues	2001	2000	$ Change	% Change
Same store	$299.4	$279.9	$ 19.5	7.0%
2000 acquisitions	81.0	17.6	63.4	360.2%
2001 acquisitions	12.3	—	12.3	—
Developments	4.5	1.3	3.2	246.2%
Divestitures	16.6	31.4	(14.8)	(47.1)%
Straight-line rents	7.6	7.2	0.4	5.6%
Total	$421.4	$337.4	$ 84.0	24.9%

The growth in rental revenues in same store properties resulted primarily from the incremental effect of cash rental rate increases on renewals and rollovers, fixed rent increases on existing leases, and reimbursement of expenses, partially offset by lower occupancy. During the nine months ended September 30, 2001, the same store rent increases on industrial renewals and rollovers (cash basis) was 32.1% on 6.8 million square feet leased.

Investment Management and Other Income	2001	2000	$ Change	% Change
Equity in earnings of unconsolidated JVs	$ 4.4	$4.0	$ 0.4	10.0%
Investment management income	8.0	2.2	5.8	263.6%
Interest and other income	12.5	1.6	10.9	681.3%
Total	$24.9	$7.8	$ 17.1	219.2%

The $5.8 million increase in investment management income was due primarily to increased management and acquisition fees and priority distributions from our co-investment joint ventures. The $10.9 million increase in interest and other income was primarily due to interest income from our mortgage note on the retail center that we sold in 2000 and from interest income resulting from increased average cash balances.

Property Operating Expenses and Real Estate Taxes	2001	2000	$ Change	% Change
(Exclusive of depreciation and amortization)				
Rental expenses	$ 51.0	$36.5	$ 14.5	39.7%
Real estate taxes	50.9	41.0	9.9	24.1%
Property operating expenses	$101.9	$77.5	$ 24.4	31.5%
Same store	$ 69.5	$65.1	$ 4.4	6.8%
2000 acquisitions	24.3	4.4	19.9	452.3%
2001 acquisitions	2.5	—	2.5	—
Developments	2.2	0.1	2.1	—
Divestitures	3.4	7.9	(4.5)	(57.0)%
Total	$101.9	$77.5	$ 24.4	31.5%

The increase in same store properties' operating expenses primarily relates to increases in common area maintenance expenses of $1.7 million, real estate taxes of $1.8 million, and insurance expense of $0.6 million.

Other Expenses	2001	2000	$ Change	% Change
Interest, including amortization	$ 94.8	$ 62.9	$ 31.9	50.7%
Depreciation and amortization	93.1	65.1	28.0	43.0%
General and administrative	26.2	17.4	8.8	50.6%
Total	$214.1	$145.4	$ 68.7	47.2%

The increase in interest expense was primarily due to the issuance of additional unsecured senior debt securities and an increase in secured debt balances, partially offset by a decrease in credit facility balances. The secured debt issuances were primarily for our co-investment joint ventures' properties. The increase in depreciation expense was due to unrealized losses on assets held for sale of $10.0 million and the increase in our net investment in real estate. The increase in general and administrative expenses was primarily due to increased personnel and occupancy costs. In addition, the consolidation of AMB Investment Management, Inc. and Headlands Realty Corporation on May 31, 2001, resulted in an increase in general and administrative expenses of $2.3 million.

The $20.8 million loss on investments in other companies during the nine months ended September 30, 2001, related to our investment in Webvan Group, Inc. and other technology-based companies. The loss reflects a 100% write-down of the book value of the investments.

During the nine months ended September 30, 2001, we retired $55.2 million of secured debt prior to maturity primarily in connection with property divestitures. We recognized a net extraordinary loss of $0.4 million related to the early retirement of debt, resulting from prepayment penalties, partially offset by the write-off of debt premiums.

LIQUIDITY AND CAPITAL RESOURCES

We currently expect that our principal sources of working capital and funding for acquisitions, development, expansion, and renovation of properties will include: (1) cash flow from operations; (2) borrowings under our unsecured credit facility; (3) other forms of secured or unsecured financing; (4) proceeds from equity or debt offerings by us or the operating partnership (including issuances of limited partnership units in the operating partnership or its subsidiaries); and (5) net proceeds from divestitures of properties. Additionally, our co-investment program will also continue to serve as a source of capital for acquisitions and developments. We believe that our sources of working capital and our ability to access private and public debt and equity capital are adequate for us to meet our liquidity requirements for the foreseeable future.

Capital Resources

Property Divestitures. In the third quarter, we divested ourselves of ten industrial and two retail buildings for an aggregate price of $97.3 million, with a resulting net gain of $5.6 million, net of minority interests' share. Year to date, we have divested ourselves of 23 industrial and two retail buildings for an aggregate price of $190.4 million, with a resulting net gain of $23.9 million, net of minority interest partners' share.

Properties Held for Divestiture. We have decided to divest ourselves of one industrial property and four retail centers, which are not in our core markets or which do not meet our strategic objectives. The divestitures of the properties are subject to negotiation of acceptable terms and other customary conditions. As of September 30, 2001, the net carrying value of the properties held for divestiture was $106.1 million.

Co-investment Program. Year to date, we have contributed $539.2 million in operating properties, consisting of 111 industrial buildings aggregating approximately 10.8 million square feet, to three of our co-investment joint ventures.

On June 28, 2001, we formed the Alliance Fund II to acquire, develop, and redevelop distribution facilities nationwide. As of September 30, 2001, the Alliance Fund II had received equity commitments from third-party investors of $181.8 million, which, when combined with anticipated debt financings and our investment, creates a total planned capitalization of $456.1 million. Subsequently, on October 9, 2001, the Alliance Fund II received additional equity commitments of $13.6 million at its final closing. Therefore, as of October 9, 2001, the Alliance Fund II had received total equity commitments from third party investors of $195.4 million, which, when combined with anticipated debt financings and the Company's investment, creates a total planned capitalization of $488.6 million. We are the managing general partner of the Alliance Fund II and owned, as of September 30, 2001, approximately 20% of the co-investment joint venture.

On March 26, 2001, we formed a joint venture, AMB-SGP, L.P., with a subsidiary of GIC Real Estate Pte Ltd., the real estate investment subsidiary of the Government of Singapore Investment Corporation, to own and operate, through a private real estate investment trust, distribution facilities nationwide. As of September 30, 2001, AMB-SGP, L.P. had received an equity contribution from GIC of $75.0 million, which, when combined with anticipated debt financings and our investment, creates a total planned capitalization of $335.0 million. We are the managing general partner of AMB-SGP, L.P. and owned, as of September 30, 2001, approximately 50.3% of the co-investment joint venture.

On February 14, 2001, we formed AMB Partners II, L.P. with the City and County of San Francisco Employees' Retirement System to acquire, develop, and redevelop distribution facilities nationwide. As of September 30, 2001, AMB Partners II had received an equity contribution from third party investors of $50.0 million, which, when combined with anticipated debt financings and our investment, creates a total planned capitalization of $250.0 million. We are the managing general partner of Partners II and owned, as of September 30, 2001, approximately 50% of the co-investment joint venture.

Credit Facilities. In May 2000, the operating partnership entered into a $500.0 million unsecured revolving credit agreement. We guarantee the operating partnership's obligations under the credit facility. The credit facility matures in May 2003, has a one-year extension option, and is subject to a 15 basis point annual facility fee, which is based on our credit rating. The operating partnership has the ability to increase available borrowings to $700.0 million by adding additional banks to the facility or obtaining the agreement of existing banks to increase its commitments. We use our unsecured credit facility principally for acquisitions and for general working capital requirements. Borrowings under our credit facility currently bear interest at LIBOR plus 75 basis points. As of September 30, 2001, there was no outstanding balance on our unsecured credit facility. Monthly debt service payments on our credit facility are interest only. The total amount available under our credit facility fluctuates based upon the borrowing base, as defined in the agreement governing the credit facility. At September 30, 2001, the remaining amount available under our unsecured credit facility was $500.0 million (excluding the additional $200.0 million of potential additional capacity).

In July 2001, the Alliance Fund II obtained a $150.0 million secured credit facility from Bank of America N.A. Borrowings currently bear interest at LIBOR plus 87.5 basis points, which includes the facility fee. As of September 30, 2001, the outstanding balance was $125.0 million and the remaining amount available was $25.0 million.

Equity. In September 2001, the operating partnership issued and sold 800,000 7.95% Series J Cumulative Redeemable Preferred Limited Partnership Units at a price of $50.00 per unit in a private placement. Distributions are cumulative from the date of issuance and payable quarterly in arrears. The Series J Preferred Units are redeemable by the operating partnership on or after September 21, 2006, subject to certain conditions, for cash at a redemption price equal to $50.00 per unit, plus accumulated and unpaid distributions thereon, if any, to the redemption date. The Series J Preferred Units are exchangeable, at specified times and subject to certain conditions, on a one-for-one basis, for shares of our Series J Preferred Stock. The operating partnership used the net proceeds of $38.9 million for general corporate purposes, which may include the partial repayment of indebtedness or the acquisition or development of additional properties.

In March 2001, AMB Property II, L.P., one of our subsidiaries, issued and sold 510,000 8.00% Series I Cumulative Redeemable Preferred Limited Partnership Units at a price of $50.00 per unit in a private placement. Distributions are cumulative from the date of issuance and payable quarterly in arrears at a rate per unit equal to $4.00 per annum. The Series I Preferred Units are redeemable by AMB Property II, L.P. on or after March 21, 2006, subject to certain conditions, for cash at a redemption price equal to $50.00 per unit, plus accumulated and unpaid distributions thereon, if any, to the redemption date. The Series I Preferred Units are exchangeable, at specified times and subject to certain conditions, on a one-for-one basis, for shares of our Series I Preferred Stock. AMB Property II, L.P. used the net proceeds of $24.9 million to repay advances from the operating partnership and to make a loan to the operating partnership. The operating partnership used the funds to partially repay borrowings under its unsecured credit facility and for general corporate purposes. The loan bears interest at 8.0% per annum and is payable on demand.

During the third quarter of 2001, we redeemed 218,092 and 23,700 common limited partnership units of the operating partnership for cash and shares of our common stock, respectively. During the first quarter of 2001, we redeemed 598,297 common limited partnership units of the operating partnership for shares of our common stock.

Our board of directors approved a stock repurchase program in 1999 for the repurchase of up to $100.0 million worth of our common stock. During the third quarter, we repurchased 907,700 shares of our common stock at an average purchase price of $23.68 per share under the program. During the second quarter, we repurchased 25,000 shares of our common stock at a purchase price of $22.80 per share under the program. Under the program to date, we have repurchased 2,376,300 shares our common stock at an average purchase price of $20.77 per share. Our stock repurchase program expires in December 2001.

Debt. As of September 30, 2001, the aggregate principal amount of our secured debt was $1.1 billion, excluding unamortized debt premiums of $7.5 million. The secured debt bears interest at rates varying from 4.0% to 10.4% per annum (with a weighted average rate of 7.6%) and final maturity dates ranging from November 2001 to June 2023. All of the secured debt bears interest at fixed rates, except for three loans with

an aggregate principal amount of $35.9 million as of September 30, 2001, which bear interest at variable rates (with a weighted average interest rate of 4.3% at September 30, 2001).

In August 2000, the operating partnership commenced a medium-term note program for the possible issuance of up to $400.0 million in principal amount of medium-term notes, which will be guaranteed by us. As of September 30, 2001, the operating partnership had issued $380.0 million of medium-term notes under this program, leaving $20.0 million available for issuance. In January 2001, the operating partnership issued and sold $25.0 million of the notes under this program to A.G. Edwards & Sons, Inc., as principal. We have guaranteed the notes, which mature on January 30, 2006, and bear interest at 6.90% per annum. The operating partnership used the net proceeds of $24.9 million for general corporate purposes, to partially repay indebtedness, and to acquire and develop additional properties. In March 2001, the operating partnership issued and sold $50.0 million of the notes under this program to First Union Securities, Inc., as principal. We have guaranteed the notes, which mature on March 7, 2011, and bear interest at 7.00% per annum. The operating partnership used the net proceeds of $49.7 million for general corporate purposes, to partially repay indebtedness, and to acquire and develop of additional properties. In September 2001, the operating partnership issued and sold $25.0 million of the notes under this program to Lehman Brothers, Inc., as principal. We have guaranteed the notes, which mature on September 6, 2011, and bear interest at 6.75% per annum. The operating partnership used the net proceeds of $24.8 million for general corporate purposes and to acquire and develop additional properties.

Mortgage Receivables. In September 2000, we sold our retail center located in Los Angeles, California. As of September 30, 2001, we carried an 8.75% mortgage note in the principal amount of $79.0 million on the retail center. The maturity date of the mortgage note, which was originally scheduled to mature on October 1, 2001, had been extended to October 15, 2001. As of November 13, 2001, the borrower was in default, however, we are negotiating an extension on the maturity date and to change certain terms of the note. We have a first lien against the retail center as collateral for the mortgage note and believe that the underlying value of the retail center is equal to or greater than the fair value of the mortgage note. Through a wholly-owned subsidiary, we also hold a mortgage loan receivable on AMB Pier One, LLC, an unconsolidated joint venture. The note bears interest at 13.0% and matures in May 2026. As of September 30, 2001, the outstanding balance on the note was $13.2 million.

In order to maintain financial flexibility and facilitate the rapid deployment of capital through market cycles, we presently intend to operate with a debt-to-total market capitalization ratio of approximately 45% or less. Additionally, we presently manage our capitalization in order to maintain an investment grade rating on our senior unsecured debt. In spite of these policies, our organizational documents do not contain any limitation on the amount of indebtedness that we may incur. Accordingly, our board of directors could alter or eliminate these policies.

The tables below summarize our debt maturities and capitalization as of September 30, 2001 (dollars in thousands):

Debt

	Our Secured Debt(1)	Joint Venture Debt	Unsecured Senior Debt Securities	Credit Facilities(2)	Total Debt
2001	$ 2,996	$ 9,014	$ —	$ —	$ 12,010
2002	28,194	51,937	—	—	80,131
2003	76,296	12,005	—	125,000	213,301
2004	65,285	25,791	—	—	91,076
2005	63,027	40,019	250,000	—	353,046
2006	94,966	72,166	25,000	—	192,132
2007	30,198	23,470	55,000	—	108,668
2008	33,604	145,108	175,000	—	353,712
2009	5,176	29,812	—	—	34,988
2010	52,780	69,205	75,000	—	196,985
2011	1,311	135,820	75,000	—	212,131
Thereafter	3,307	23,785	125,000	—	152,092
Subtotal	457,140	638,132	780,000	125,000	2,000,272
Unamortized premiums	7,529	—	—	—	7,529
Total consolidated debt	464,669	638,132	780,000	125,000	2,007,801
Our share of unconsolidated joint venture debt(3)	—	32,694	—	—	32,694
Total debt	464,669	670,826	780,000	125,000	2,040,495
Joint venture partners' share of consolidated joint venture debt	—	(326,970)	—	(100,000)	(426,970)
Our share of total debt	$464,669	$ 343,856	$780,000	$ 25,000	$1,613,525
Weighed average interest rate	8.1%	7.3%	7.3%	3.5%	7.2%
Weighed average maturity (in years)	5.0	7.5	7.9	1.9	6.6

(1) All of the secured debt bears interest at fixed rates, except for two loans with an aggregate principal amount of $35.9 million as of September 30, 2001, which bear interest at variable rates (with a weighted average interest rate of 4.3% at September 30, 2001).

(2) The 2003 maturity represents a credit facility obtained by the Alliance Fund II, which will repay the facility with capital contributions and secured debt proceeds. The operating partnership also has a $500.0 million credit facility, which matures in 2003 and had no outstanding balance at September 30, 2001.

(3) The weighted average interest and weighted average maturity for the unconsolidated joint venture debt were 5.7% and 4.6 years, respectively.

Market Equity

Security	Shares/Units Outstanding	Market Price	Market Value
Common stock	84,164,842	$ 24.50	$2,062,039
Common limited partnership units	4,987,828	24.50	122,202
Total	89,152,670		$2,184,241

Preferred Stock and Units

Security	Dividend Rate	Liquidation Preference	Redemption Provisions
Series A preferred stock	8.50%	$100,000	July 2003
Series B preferred units	8.63%	65,000	November 2003
Series C preferred units	8.75%	110,000	November 2003
Series D preferred units	7.75%	79,767	May 2004
Series E preferred units	7.75%	11,022	August 2004
Series F preferred units	7.95%	19,872	March 2005
Series G preferred units	7.95%	1,000	August 2005
Series H preferred units	8.13%	42,000	September 2005
Series I preferred units	8.00%	25,500	March 2006
Series J preferred units	7.95%	40,000	September 2006
Weighted Average/Total	8.31%	$494,161	

Capitalization Ratios

Total debt-to-total market capitalization	43.2%
Our share of total debt-to-total market capitalization	37.6%
Total debt plus preferred-to-total market capitalization	53.7%
Our share of total debt plus preferred-to-total market capitalization	49.1%
Our share of total debt-to-total book capitalization	42.9%

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Liquidity

As of September 30, 2001, we had approximately $256.9 million in cash, restricted cash, and cash equivalents, and $500.0 million of additional available borrowings under our credit facility. To fund acquisitions, development activities, and capital expenditures and to provide for general working capital requirements, we intend to use: (1) cash from operations; (2) borrowings under our credit facility; (3) other forms of secured and unsecured financing; (4) proceeds from any future debt or equity offerings by us or the operating partnership (including issuances of limited partnership units in the operating partnership or its subsidiaries); (5) proceeds from divestitures of properties; and (6) private capital

Our board of directors declared a regular cash dividend for the quarter ending September 30, 2001, of $0.395 per share of common stock and the operating partnership declared a regular cash distribution for the quarter ending September 30, 2001, of $0.395 per common unit. The dividends and distributions were payable on October 15, 2001, to stockholders and unitholders of record on October 4, 2001. The Series A, B, C, E, F, G, and J preferred stock and unit dividends and distributions were also payable on October 15, 2001, to stockholders and unitholders of record on October 4, 2001. The Series D, H, and I preferred unit distributions were payable on September 25, 2001, to unitholders of record on September 15, 2001. The following table sets forth the dividend payments and distributions:

		For the Three Months Ended September 30,		For the Nine Months Ended September 30,	
Security	**Paying Entity**	**2001**	**2000**	**2001**	**2000**
Common stock	AMB Property Corporation	$0.395	$0.370	$1.185	$1.110
Operating partnership units	Operating Partnership	$0.395	$0.370	$1.185	$1.110
Series A preferred stock	AMB Property Corporation	$0.531	$0.531	$1.594	$1.594
Series A preferred units	Operating Partnership	$0.531	$0.531	$1.594	$1.594
Series B preferred units	Operating Partnership	$1.078	$1.078	$3.234	$3.234
Series C preferred units	AMB Property II, L.P.	$1.094	$1.094	$3.281	$3.281
Series D preferred units	AMB Property II, L.P.	$0.969	$0.969	$2.906	$2.906
Series E preferred units	AMB Property II, L.P.	$0.969	$0.969	$2.906	$2.906
Series F preferred units	AMB Property II, L.P.	$0.994	$0.994	$2.952	$2.097
Series G preferred units	AMB Property II, L.P.	$0.994	$0.357	$2.982	$0.357
Series H preferred units	AMB Property II, L.P.	$1.016	$0.282	$3.048	$0.282
Series I preferred units	AMB Property II, L.P.	$1.000	n/a	$2.044	n/a
Series J preferred units	Operating Partnership	$0.097	n/a	$0.097	n/a

The anticipated size of our distributions, using only cash from operations, will not allow us to retire all of our debt as it comes due. Therefore, we intend to also repay maturing debt with net proceeds from future debt or equity financings. However, we may not be able to obtain future financings on favorable terms or at all.

Capital Commitments

In addition to recurring capital expenditures and costs to renew or re-tenant space, as of September 30, 2001, we are developing 18 projects representing a total estimated investment of $320.2 million upon completion. Of this total, $221.2 million had been funded as of September 30, 2001, and approximately $99.0 million is estimated to be required to complete current and planned projects. We expect to fund these expenditures with cash from operations, borrowings under our credit facility, debt or equity issuances, and net proceeds from property divestitures. We have no other material capital commitments.

Year to date, we have invested $283.4 million in 42 operating industrial buildings, aggregating approximately 4.5 million rentable square feet. We funded these acquisitions and initiated development and renovation projects through private capital contributions, borrowings under our credit facility, cash, debt and equity issuances, and net proceeds from property divestitures.

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FUNDS FROM OPERATIONS

We believe that funds from operations, or FFO, as defined by the National Association of Real Estate Investment Trusts, is an appropriate measure of performance for an equity real estate investment trust. While funds from operations is a relevant and widely used measure of operating performance of real estate investment trusts, it does not represent cash flow from operations or net income as defined by U.S. generally accepted accounting principles and it should not be considered as an alternative to those indicators in evaluating liquidity or operating performance. Further, funds from operations as disclosed by other real estate investment trusts may not be comparable.

FFO is defined as income from operations before minority interest, gains or losses from sale of real estate, and extraordinary items plus real estate depreciation and adjustment to derive our pro rata share of FFO of unconsolidated joint ventures, less minority interests' pro rata share of FFO of consolidated joint ventures and perpetual preferred stock dividends. In accordance with the NAREIT White Paper on funds from operations, we include the effects of straight-line rents in funds from operations. Further, we do not adjust FFO to eliminate the effects of non-recurring charges.

The following table reflects the calculation of funds from operations (dollars in thousands, except share and per share data):

	For the Three Months Ended September 30,		For the Nine Months Ended September 30,	
	2001	2000	2001	2000
Income from operations	$ 39,355	$42,116	$109,578	$122,355
Gains on developments held for sale	1,341	—	1,341	—
Real estate related depreciation and amortization:				
Total depreciation and amortization	38,961	23,312	93,138	65,135
FF&E depreciation and ground lease amortization(1)	(483)	(223)	(1,456)	(857)
FFO attributable to minority interests(2)	(13,393)	(4,262)	(29,119)	(9,569)
Adjustments to derive FFO in unconsolidated joint venture(3):				
Our share of net income	(1,636)	(1,447)	(4,365)	(4,006)
Our share of FFO	2,235	1,941	6,488	5,488
Preferred stock dividends	(2,125)	(2,125)	(6,375)	(6,375)
Preferred unit distributions	(7,423)	(6,206)	(21,626)	(17,778)
Funds from operations	$ 56,832	$53,106	$147,604	$154,393

(1) FF&E depreciation represents depreciation on furniture, fixtures, and equipment that isn't real-estate related. Ground lease amortization represents the amortization of our investments in ground lease properties, for which we do not have a purchase option.

(2) Represents FFO attributable to minority interests in consolidated joint ventures whose interests are not exchangeable into common stock. The minority interests' share of net operating income for the quarters ended September 30, 2001 and 2000, was $18.2 million and $6.8 million, respectively, and for the nine months ended September 30, 2001 and 2000, was $44.4 million and $16.9 million, respectively.

(3) Our share of net operating income for the quarters ended September 30, 2001 and 2000, was $2.7 million and $2.2 million, respectively, and for the nine months ended September 30, 2001 and 2000, was $7.8 million and $6.3 million, respectively.

OPERATING AND LEASING STATISTICS SUMMARY

The following table summarizes key operating and leasing statistics for all of our industrial properties as of and for the periods ended September 30, 2001 (dollars in thousands):

	Three Months Ended September 30, 2001	Nine Months Ended September 30, 2001
Square feet owned(1)(2)	78,428,611	78,428,611
Occupancy percentage(1)	96.6%	96.6%
Weighted average lease terms:		
Original	6.3 years	6.3 years
Remaining	3.3 years	3.3 years
Tenant retention	68.4%	66.2%
Rent increases on renewals and rollovers	14.4%	27.8%
Square feet leased	3,088,069	8,091,402
Second generation tenant improvements and leasing commissions per sq. ft. (3):		
Renewals	$ 1.22	$ 1.05
Re-tenanted	4.18	3.66
Weighted average	$ 2.71	$ 2.28
Recurring capital expenditures(4)		
Tenant improvements	$ 1,980	$ 6,019
Lease commissions and other lease costs	8,760	16,043
Building improvements	5,584	11,136
Sub-total	16,324	33,198
Partners' share of capital expenditures	(1,154)	(2,829)
Total	$ 15,170	$ 30,369

(1) Includes all industrial consolidated operating properties and excludes development and renovation projects. Excludes retail and other properties' square feet of 1,314,533, occupancy of 87.6%, and annualized base rent of $14.6 million.

(2) In addition to owned square feet as of September 30, 2001, we managed, through our subsidiary, AMB Investment Management, approximately 3.3 million additional square feet of industrial, retail, and other properties. We also have an investment in approximately 4.9 million square feet of industrial properties through our investments in the unconsolidated joint ventures.

(3) Consists of all second-generation leases renewing or re-tenanting with lease terms greater than one year.

(4) Includes second generation leasing costs and building improvements.

The following summarizes key same store properties' operating statistics for our industrial properties as of and for the three and nine month periods ended September 30, 2001:

	Three Months Ended September 30, 2001	Nine Months Ended September 30, 2001
Square feet in same store pool(1)	60,196,156	60,196,156
% of total square feet	76.8%	76.8%
Occupancy percentage at period end		
September 30, 2001	96.5%	96.5%
September 30, 2000	97.2%	97.2%
Tenant retention	65.7%	64.7%
Rent increases on lease commencements	16.8%	32.1%
Square feet leased	2,682,235	6,792,332
Cash basis net operating income growth % increase:		
Revenues	5.7%	7.2%
Expenses	2.5%	6.9%
Net operating income	6.7%	7.2%

(1) Excludes properties purchased or developments stabilized after December 31, 1999.

Item 7A. ***Quantitative and Qualitative Disclosures About Market Risk***

Market risk is the risk of loss from adverse changes in market prices and interest rates. Our future earnings and cash flows are dependent upon prevalent market rates. Accordingly, we manage our market risk by matching projected cash inflows from operating, investing, and financing activities with projected cash outflows for debt service, acquisitions, capital expenditures, distributions to stockholders and unitholders, and other cash requirements. The majority of our outstanding debt has fixed interest rates, which minimizes the risk of fluctuating interest rates. Our exposure to market risk includes: (1) interest rate fluctuations in connection with our credit facilities and other variable rate borrowings; and (2) our ability to incur more debt without stockholder approval, thereby increasing our debt service obligations, which could adversely affect our cash flows. As of September 30, 2001, we had no interest rate caps or swaps. See "Item 2: Management's Discussion and Analysis of Financial Condition and Results of Operations — Liquidity and Capital Resources — Capital Resources — Market Capitalization."

The table below summarizes the market risks associated with our fixed and variable rated debt outstanding as of September 30, 2001:

	Expected Maturity Date						
	2001	2002	2003	2004	2005	Thereafter	Total Debt
Fixed rate debt(1)	$12,010	$58,315	$ 88,301	$86,895	$353,046	$1,240,785	$1,839,352
Average interest rate	8.0%	8.0%	7.8%	8.1%	7.3%	7.5%	7.5%
Variable rate debt(2)	—	$21,816	$125,000	$ 4,181	—	$ 9,923	$ 160,920
Average interest rate	—	4.3%	3.5%	4.3%	—	4.3%	3.7%

(1) Represents 92.0% of all outstanding debt.

(2) Represents 8.0% of all outstanding debt.

If market rates of interest on our variable rate debt increased by 10% (or approximately 37 basis points), then the increase in interest expense on the variable rate debt would be approximately $0.6 million annually.

PART II

Item 1. *Legal Proceedings*

As of September 30, 2001, there were no pending legal proceedings to which we are a party or of which any of our properties is the subject, the adverse determination of which we anticipate would have a material adverse effect upon our financial condition and results of operations.

Item 2. *Changes in Securities and Use of Proceeds*

In September 2001, we repurchased 907,700 shares of our common stock.

On August 17, 2001, we redeemed 68,092 common limited partnership units of the operating partnership for cash to two individuals. On September 7, 2001, we redeemed 150,000 common limited partnership units of the operating partnership for cash to two individuals. On September 18, 2001, we redeemed 23,700 common limited partnership units of the operating partnership for 23,700 shares of our common stock to an individual. The issuance of the 23,700 shares of our common stock in exchange for the common limited partnership units was exempt from the registration requirement of the Securities Act pursuant to Section 4(2) of the Securities Act and Rule 506 of Regulation D.

On September 21, 2001, the operating partnership issued and sold 800,000 7.95% Series J Cumulative Redeemable Preferred Limited Partnership Units at a price of $50.00 per unit, for an aggregate offering price of $40.0 million, less a sales commission of $1.1 million, in a private placement. The issuance and sale of the Series J Preferred Units constituted a private placement of securities that was exempt from the registration requirement of the Securities Act pursuant to Section 4(2) of the Securities Act and Rule 506 of Regulation D. The Series J Preferred Units are exchangeable, at specified times and subject to certain conditions, on a one-for-one basis, for shares of our Series J Preferred Stock. The Articles Supplementary establishing the rights and preferences of the holders of the Series J Preferences Stock were filed as Exhibit 3.1 to our Current Report on Form 8-K filed on October 3, 2001.

Item 3. *Defaults Upon Senior Securities*

None.

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

None.

Item 5. ***Other Information***

BUSINESS RISKS

Our operations involve various risks that could have adverse consequences to us. These risks include, among others:

General Real Estate Risks

There are Factors Outside of Our Control that Affect the Performance and Value of Our Properties

Real property investments are subject to varying degrees of risk. The yields available from equity investments in real estate depend on the amount of income earned and capital appreciation generated by the related properties as well as the expenses incurred in connection with the properties. If our properties do not generate income sufficient to meet operating expenses, including debt service and capital expenditures, then our ability to pay dividends to our stockholders could be adversely affected. Income from, and the value of, our properties may be adversely affected by the general economic climate, local conditions such as oversupply of industrial space, or a reduction in demand for industrial space, the attractiveness of our properties to potential customers, competition from other properties, our ability to provide adequate maintenance and insurance, and an increase in operating costs. Periods of economic slowdown or recession in the United States and in other countries, rising interest rates, or declining demand for real estate, or public perception that any of these events may occur would result in a general decrease in rents or an increased occurrence of defaults under existing leases, which would adversely affect our financial condition and results of operations.

Future terrorist attacks in the United States may result in declining economic activity, which could harm the demand for and the value of our properties. To the extent that our tenants are impacted by future attacks, their businesses similarly could be adversely affected, including their ability to continue to honor their existing leases. Our properties are currently concentrated predominantly in the industrial real estate sector. Our concentration in a certain property type exposes us to the risk of economic downturns in this sector to a greater extent than if our portfolio also included other property types. As a result of such concentration, economic downturns in the industrial real estate sector could adversely affect our financial condition, results of operations, cash flow, and ability to pay dividends on, and the market price of, our stock. In addition, revenues from properties and real estate values are also affected by factors such as the cost of compliance with regulations, the potential for liability under applicable laws (including changes in tax laws), interest rate levels, and the availability of financing. Our income would be adversely affected if a significant number of customers were unable to pay rent or if we were unable to rent our industrial space on favorable terms. Certain significant expenditures associated with an investment in real estate (such as mortgage payments, real estate taxes, and maintenance costs) generally do not decline when circumstances cause a reduction in income from the property.

We May Be Unable to Renew Leases or Relet Space as Leases Expire

We are subject to the risks that leases may not be renewed, space may not be relet, or the terms of renewal or reletting (including the cost of required renovations) may be less favorable than current lease terms. Leases on a total of 5.3% of our industrial properties (based on annualized base rent) as of September 30, 2001, will expire on or prior to December 31, 2001. In addition, numerous properties compete with our properties in attracting customers to lease space, particularly with respect to retail centers. The number of competitive commercial properties in a particular area could have a material adverse effect on our ability to lease space in our properties and on the rents that we are able to charge. Our financial condition, results of operations, cash flow, and our ability to pay dividends on, and the market price of, our stock could be adversely affected if we are unable to promptly relet or renew the leases for all or a substantial portion of expiring leases, if the rental rates upon renewal or reletting is significantly lower than expected, or if our reserves for these purposes prove inadequate.

Real Estate Investments are Illiquid

Because real estate investments are relatively illiquid, our ability to vary our portfolio promptly in response to economic or other conditions is limited. The limitations in the Internal Revenue Code and related regulations on a real estate investment trust holding property for sale may affect our ability to sell properties without adversely affecting dividends to our stockholders. The relative illiquidity of our holdings and Internal Revenue Code prohibitions and related regulations could impede our ability to respond to adverse changes in the performance of our investments and could adversely affect our financial condition, results of operations, cash flow, and our ability to pay dividends on, and the market price of, our stock.

A Significant Number of Our Properties are Located in California

Our industrial properties located in California as of September 30, 2001, represented approximately 27% of the aggregate square footage of our industrial properties as of September 30, 2001, and 34% of our annualized base rent. Annualized base rent means the monthly contractual amount under existing leases at September 30, 2001, multiplied by 12. This amount excludes expense reimbursements and rental abatements. Our revenue from, and the value of, our properties located in California may be affected by a number of factors, including local real estate conditions (such as oversupply of or reduced demand for industrial properties) and the local economic climate. Business layoffs, downsizing, industry slowdowns, changing demographics, and other factors may adversely impact the local economic climate. A downturn in either the California economy or in California real estate conditions could adversely affect our financial condition, results of operations, cash flow, and our ability to pay dividends on, and the market price of, our stock. Certain of our properties are also subject to possible loss from seismic activity.

Some Potential Losses are not Covered by Insurance

We carry comprehensive liability, fire, extended coverage, and rental loss insurance covering all of our properties, with policy specifications and insured limits that we believe are adequate and appropriate under the circumstances given relative risk of loss, the cost of such coverage, and industry practice. There are, however, certain losses that are not generally insured because it is not economically feasible to insure against them, including losses due to riots or acts of war. Under our current policies, we are insured for acts of terrorism, however, there can be no assurance that we will be able to maintain this coverage in the future. Certain losses such as losses due to floods or seismic activity may be insured subject to certain limitations including large deductibles or co-payments and policy limits. If an uninsured loss or a loss in excess of insured limits occurs with respect to one or more of our properties, then we could lose the capital we invested in the properties, as well as the anticipated future revenue from the properties and, in the case of debt, which is with recourse to us, we would remain obligated for any mortgage debt or other financial obligations related to the properties. Moreover, as the general partner of the operating partnership, we generally will be liable for all of the operating partnership’s unsatisfied obligations other than non-recourse obligations. Any such liability could adversely affect our financial condition, results of operations, cash flow, and ability to pay dividends on, and the market price of, our stock.

A number of our properties are located in areas that are known to be subject to earthquake activity, including California where, as of September 30, 2001, 267 industrial buildings aggregating approximately 21.0 million square feet (representing 27% of our properties based on aggregate square footage and 34% based on annualized base rent) are located. We carry replacement cost earthquake insurance on all of our properties located in areas historically subject to seismic activity, subject to coverage limitations and deductibles that we believe are commercially reasonable. This insurance coverage also applies to the properties managed by AMB Investment Management, with a single aggregate policy limit and deductible applicable to those properties and our properties. Through an annual analysis prepared by outside consultants, we evaluate our earthquake insurance coverage in light of current industry practice and determine the appropriate amount of earthquake insurance to carry. We may incur material losses in excess of insurance proceeds and we may not be able to continue to obtain insurance at commercially reasonable rates.

We are Subject to Risks and Liabilities In Connection With Properties Owned Through Joint Ventures, Limited Liability Companies, and Partnerships

As of September 30, 2001, we had ownership interests in several joint ventures, limited liability companies, or partnerships with third parties, as well as interests in three unconsolidated entities. As of September 30, 2001, we owned approximately 27.0 million square feet (excluding three unconsolidated joint ventures) of our properties through these entities. We may make additional investments through these ventures in the future and presently plan to do so. Such partners may share certain approval rights over major decisions. Partnership, limited liability company, or joint venture investments may involve risks such as the following: (1) our partners, co-members, or joint venturers might become bankrupt (in which event we and any other remaining general partners, members, or joint venturers would generally remain liable for the liabilities of the partnership, limited liability company, or joint venture); (2) our partners, co-members, or joint venturers might at any time have economic or other business interests or goals that are inconsistent with our business interests or goals; (3) our partners, co-members, or joint venturers may be in a position to take action contrary to our instructions, requests, policies, or objectives, including our current policy with respect to maintaining our qualification as a real estate investment trust; and (4) agreements governing joint ventures, limited liability companies, and partnerships often contain restrictions on the transfer of a joint venturer's, member's, or partner's interest or "buy-sell" or other provisions, which may result in a purchase or sale of the interest at a disadvantageous time or on disadvantageous terms.

We will, however, generally seek to maintain sufficient control of our partnerships, limited liability companies, and joint ventures to permit us to achieve our business objectives. Our organizational documents do not limit the amount of available funds that we may invest in partnerships, limited liability companies, or joint ventures. The occurrence of one or more of the events described above could adversely affect our financial condition, results of operations, cash flow, and ability to pay dividends on, and the market price of, our stock.

We May be Unable to Consummate Acquisitions on Advantageous Terms

We intend to continue to acquire primarily industrial properties. Acquisitions of properties entail risks that investments will fail to perform in accordance with expectations. Estimates of the costs of improvements necessary for us to bring an acquired property up to market standards may prove inaccurate. In addition, there are general investment risks associated with any real estate investment. Further, we anticipate significant competition for attractive investment opportunities from other major real estate investors with significant capital including both publicly traded real estate investment trusts and private institutional investment funds. We expect that future acquisitions will be financed through a combination of borrowings under our unsecured credit facility, proceeds from equity or debt offerings by us or the operating partnership (including issuances of limited partnership units by the operating partnership or its subsidiaries), and proceeds from property divestitures, which could have an adverse effect on our cash flow. We may not be able to acquire additional properties. Our inability to finance any future acquisitions on favorable terms or the failure of acquisitions to conform with our expectations or investment criteria, or our failure to timely reinvest the proceeds from property divestitures could adversely affect our financial condition, results of operations, cash flow, and ability to pay dividends on, and the market price of, our stock.

We May be Unable to Complete Renovation and Development on Advantageous Terms

The real estate development business, including the renovation and rehabilitation of existing properties, involves significant risks. These risks include the following: (1) we may not be able to obtain financing on favorable terms for development projects and we may not complete construction on schedule or within budget, resulting in increased debt service expense and construction costs and delays in leasing such properties and generating cash flow; (2) we may not be able to obtain, or we may experience delays in obtaining, all necessary zoning, land-use, building, occupancy, and other required governmental permits and authorizations; (3) new or renovated properties may perform below anticipated levels, producing cash flow below budgeted amounts; (4) substantial renovation as well as new development activities, regardless of whether or not they are ultimately successful, typically require a substantial portion of management's time and attention that could

divert management's time from our day-to-day operations; and (5) activities that we finance through construction loans involve the risk that, upon completion of construction, we may not be able to obtain permanent financing or we may not be able to obtain permanent financing on advantageous terms. These risks could adversely affect our financial condition, results of operations, cash flow, and ability to pay dividends on, and the market price of, our stock.

We May be Unable to Complete Divestitures on Advantageous Terms

We have decided to divest ourselves of four retail centers and one industrial property, which are not in our core markets of which do not meet our strategic objectives. The divestitures of the properties are subject to negotiation of acceptable terms and other customary conditions. Our ability to dispose of properties on advantageous terms is dependent upon factors beyond our control, including competition from other owners (including other real estate investment trusts) that are attempting to dispose of industrial and retail properties and the availability of financing on attractive terms for potential buyers of our properties. Our inability to dispose of properties on favorable terms or our inability to redeploy the proceeds of property divestitures in accordance with our investment strategy could adversely affect our financial condition, results of operations, cash flow, and ability to pay dividends on, and the market price of, our stock.

Debt Financing

We Could Incur More Debt

We operate with a policy of incurring debt, either directly or through our subsidiaries, only if upon such incurrence our debt-to-total market capitalization ratio would be approximately 45% or less. The aggregate amount of indebtedness that we may incur under our policy varies directly with the valuation of our capital stock and the number of shares of capital stock outstanding. Accordingly, we would be able to incur additional indebtedness under our policy as a result of increases in the market price per share of our common stock or other outstanding classes of capital stock, and future issuance of shares of our capital stock. However, our organizational documents do not contain any limitation on the amount of indebtedness that we may incur. Accordingly, our board of directors could alter or eliminate this policy. If we change this policy, then we could become more highly leveraged, resulting in an increase in debt service that could adversely affect our financial condition, results of operations, cash flow, and ability to pay dividends on, and the market price of, our stock.

Scheduled Debt Payments Could Adversely Affect Our Financial Condition

We are subject to risks normally associated with debt financing, including the risks that cash flow will be insufficient to pay dividends to our stockholders, that we will be unable to refinance existing indebtedness on our properties (which in all cases will not have been fully amortized at maturity) and that the terms of refinancing will not be as favorable as the terms of existing indebtedness. As of September 30, 2001, we had total debt outstanding of approximately $2.0 billion.

In addition, we guarantee the operating partnership's obligations with respect to the senior debt securities referenced in our financial statements. If we are unable to refinance or extend principal payments due at maturity or pay them with proceeds of other capital transactions, then we expect that our cash flow will not be sufficient in all years to pay dividends to our stockholders and to repay all such maturing debt. Furthermore, if prevailing interest rates or other factors at the time of refinancing (such as the reluctance of lenders to make commercial real estate loans) result in higher interest rates upon refinancing, then the interest expense relating to that refinanced indebtedness would increase. This increased interest expense would adversely affect our financial condition, results of operations, cash flow, and ability to pay dividends on, and the market price of, our stock. In addition, if we mortgage one or more of our properties to secure payment of indebtedness and we are unable to meet mortgage payments, then the property could be foreclosed upon or transferred to the mortgagee with a consequent loss of income and asset value. A foreclosure on one or more of our properties could adversely affect our financial condition, results of operations, cash flow, and ability to pay dividends on, and the market price of, our stock.

Rising Interest Rates Could Adversely Affect Our Cash Flow

As of September 30, 2001, we had approximately $125.0 million outstanding under our Alliance Fund II secured credit facility and we had two secured loans with an aggregate principal amount of $35.9 million, which bear interest at variable rates (with weighted average interest rate of 4.3% at September 30, 2001). In addition, we may incur other variable rate indebtedness in the future. Increases in interest rates on this indebtedness could increase our interest expense, which would adversely affect our financial condition, results of operations, cash flow, and ability to pay dividends on, and the market price of, our stock. Accordingly, in the future, we may engage in transactions to limit our exposure to rising interest rates.

We Are Dependent on External Sources of Capital

In order to qualify as a real estate investment trust under the Internal Revenue Code, we are required each year to distribute to our stockholders at least 90% of our real estate investment trust taxable income (determined without regard to the dividends-paid deduction and by excluding any net capital gain) and we are subject to tax on our income to the extent it is not distributed. Because of this distribution requirement, we may not be able to fund all future capital needs, including capital needs in connection with acquisitions, from cash retained from operations. As a result, to fund capital needs, we rely on third party sources of capital, which we may not be able to obtain on favorable terms or at all. Our access to third party sources of capital depends upon a number of factors, including: (1) general market conditions; (2) the market's perception of our growth potential; (3) our current and potential future earnings and cash distributions; and (4) the market price of our capital stock. Additional debt financing may substantially increase our debt-to-total capitalization ratio.

We Could Default on Cross-Collateralized and Cross-Defaulted Debt

As of September 30, 2001, we had 21 non-recourse secured loans, which are cross collateralized by 41 properties. As of September 30, 2001, we had $430.5 million (not including unamortized debt premium) outstanding on these loans. If we default on any of these loans, then we could be required to repay the aggregate of all indebtedness, together with applicable prepayment charges, to avoid foreclosure on all the cross-collateralized properties within the applicable pool. Foreclosure on our properties, or our inability to refinance our loans on favorable terms, could adversely impact our financial condition, results of operations, cash flow, and ability to pay dividends on, and the market price of, our stock. In addition, our credit facilities and the senior debt securities of the operating partnership contain certain cross-default provisions, which are triggered in the event that our other material indebtedness is in default. These cross-default provisions may require us to repay or restructure the credit facilities and the senior debt securities in addition to any mortgage or other debt that is in default, which could adversely affect our financial condition, results of operations, cash flow, and ability to pay dividends on, and the market price of, our stock.

Contingent or Unknown Liabilities Could Adversely Affect Our Financial Condition

Our predecessors have been in existence for varying lengths of time up to 18 years. At the time of our formation we acquired the assets of these entities subject to all of their potential existing liabilities. There may be current liabilities or future liabilities arising from prior activities that we are not aware of and therefore have not disclosed in this report. We assumed these liabilities as the surviving entity in the various merger and contribution transactions that occurred at the time of our formation. Existing liabilities for indebtedness generally were taken into account in connection with the allocation of the operating partnership's limited partnership units or shares of our common stock in the formation transactions, but no other liabilities were taken into account for these purposes. We do not have recourse against our predecessors or any of their respective stockholders or partners or against any individual account investors with respect to any unknown liabilities. Unknown liabilities might include the following: (1) liabilities for clean-up or remediation of undisclosed environmental conditions; (2) claims of customers, vendors, or other persons dealing with our predecessors prior to the formation transactions that had not been asserted prior to the formation transactions; (3) accrued but unpaid liabilities incurred in the ordinary course of business; (4) tax liabilities; and

(5) claims for indemnification by the officers and directors of our predecessors and others indemnified by these entities.

Certain customers may claim that the formation transactions gave rise to a right to purchase the premises that they occupy. We do not believe any such claims would be material and, to date, no such claims have been filed. See "— Government Regulations — We Could Encounter Costly Environmental Problems" below regarding the possibility of undisclosed environmental conditions potentially affecting the value of our properties. Undisclosed material liabilities in connection with the acquisition of properties, entities and interests in properties, or entities could adversely affect our financial condition, results of operations, cash flow, and ability to pay dividends on, and the market price of, our stock.

Conflicts of Interest

Some of Our Directors and Executive Officers are Involved in Other Real Estate Activities and Investments

Some of our executive officers own interests in real estate-related businesses and investments. These interests include minority ownership of Institutional Housing Partners, L.P., a residential housing finance company, and ownership of Aspire Development, Inc. and Aspire Development, L.P., developers that own property not suitable for ownership by us. Aspire Development, Inc. and Aspire Development, L.P. have agreed not to initiate any new development projects not contemplated at our initial public offering in November 1997. These entities have also agreed that they will not make any further investments in industrial properties other than those currently under development at the time of our initial public offering. The continued involvement in other real estate-related activities by some of our executive officers and directors could divert management's attention from our day-to-day operations. Most of our executive officers have entered into non-competition agreements with us pursuant to which they have agreed not to engage in any activities, directly or indirectly, in respect of commercial real estate, and not to make any investment in respect of industrial real estate, other than through ownership of not more than 5% of the outstanding shares of a public company engaged in such activities or through the existing investments referred to in this report. State law may limit our ability to enforce these agreements.

Certain of Our Executive Officers and Directors May Have Conflicts of Interest with Us in Connection with Other Properties that They Own or Control

As of September 30, 2001, Aspire Development, L.P. owns interests in three retail development projects in the U.S., one of which are single freestanding Walgreens drugstores and two of which are Walgreens drugstores plus shop buildings, which are less than 10,000 feet. In addition, Messrs. Abbey, Moghadam, and Burke, each a founder and director, own less than 1% interests in two partnerships that own office buildings in various markets; these interests have negligible value. Luis A. Belmonte, an executive officer, owns less than a 10% interest, representing an estimated value of $150,000, in a limited partnership, which owns an office building located in Oakland, California.

In addition, several of our executive officers individually own: (1) less than 1% interests in the stocks of certain publicly-traded real estate investment trusts; (2) certain interests in and rights to developed and undeveloped real property located outside the United States; and (3) certain other de minimus holdings in equity securities of real estate companies.

Thomas W. Tusher, a member of our board of directors, is a limited partner in a partnership in which Messrs. Abbey, Moghadam, and Burke are general partners and which owns a 75% interest in an office building. Mr. Tusher owns a 20% interest in the partnership, valued at approximately $1.7 million. Messrs. Abbey, Moghadam, and Burke each have a 26.7% interest in the partnership, each valued at approximately $2.2 million.

We believe that the properties and activities set forth above generally do not directly compete with any of our properties. However, it is possible that a property in which an executive officer or director, or an affiliate of an executive officer or director, has an interest may compete with us in the future if we were to invest in a

property similar in type and in close proximity to that property. In addition, the continued involvement by our executive officers and directors in these properties could divert management's attention from our day-to-day operations. Our policy prohibits us from acquiring any properties from our executive officers or their affiliates without the approval of the disinterested members of our board of directors with respect to that transaction.

Our Role as General Partner of the Operating Partnership May Conflict with the Interests of Stockholders

As the general partner of the operating partnership, we have fiduciary obligations to the operating partnership's limited partners, the discharge of which may conflict with the interests of our stockholders. In addition, those persons holding limited partnership units will have the right to vote as a class on certain amendments to the partnership agreement of the operating partnership and individually to approve certain amendments that would adversely affect their rights. The limited partners may exercise these voting rights in a manner that conflicts with the interests of our stockholders. In addition, under the terms of the operating partnership's partnership agreement, holders of limited partnership units will have certain approval rights with respect to certain transactions that affect all stockholders but which they may not exercise in a manner that reflects the interests of all stockholders.

Our Directors, Executive Officers, and Significant Stockholders Could Act in a Manner that is Not in the Best Interest of All Stockholders

As of November 2, 2001, our two largest stockholders, Cohen & Steers Capital Management, Inc. (with respect to various client accounts for which Cohen & Steers Capital Management, Inc. serves as investment advisor) and PREEF Real Estate Security Advisors, L.P. (with respect to various client accounts for which PREEF Real Estate Security Advisors, L.P. serves as investment advisor) beneficially owned approximately 13.0% of our outstanding common stock. In addition, our executive officers and directors beneficially owned approximately 5.4% of our outstanding common stock as of November 2, 2001, and will have influence on our management and operation and, as stockholders, will have influence on the outcome of any matters submitted to a vote of our stockholders. This influence might be exercised in a manner that is inconsistent with the interests of other stockholders. Although there is no understanding or arrangement for these directors, officers, and stockholders and their affiliates to act in concert, these parties would be in a position to exercise significant influence over our affairs if they choose to do so.

Government Regulations

Many laws and governmental regulations are applicable to our properties and changes in these laws and regulations, or their interpretation by agencies and the courts, occur frequently.

Costs of Compliance with Americans with Disabilities Act

Under the Americans with Disabilities Act, places of public accommodation must meet certain federal requirements related to access and use by disabled persons. Compliance with the Americans with Disabilities Act might require us to remove structural barriers to handicapped access in certain public areas where such removal is "readily achievable." If we fail to comply with the Americans with Disabilities Act, then we might be required to pay fines to the government or damages to private litigants. The impact of application of the Americans with Disabilities Act to our properties, including the extent and timing of required renovations, is uncertain. If we are required to make unanticipated expenditures to comply with the Americans with Disabilities Act, then our cash flow and the amounts available for dividends to our stockholders may be adversely affected.

We Could Encounter Environmental Problems

Federal, state, and local laws and regulations relating to the protection of the environment impose liability on a current or previous owner or operator of real estate for contamination resulting from the presence or discharge of hazardous or toxic substances or petroleum products at the property. A current or previous owner

may be required to investigate and clean up contamination at or migrating from a site. These laws typically impose liability and clean-up responsibility without regard to whether the owner or operator knew of or caused the presence of the contaminants. Even if more than one person may have been responsible for the contamination, each person covered by the environmental laws may be held responsible for all of the clean-up costs incurred. In addition, third parties may sue the owner or operator of a site for damages based on personal injury, property damage, or other costs, including investigation and clean-up costs, resulting from environmental contamination present at or emanating from that site.

Environmental laws also govern the presence, maintenance, and removal of asbestos. These laws require that owners or operators of buildings containing asbestos properly manage and maintain the asbestos, that they adequately inform or train those who may come into contact with asbestos, and that they undertake special precautions, including removal or other abatement in the event that asbestos is disturbed during renovation or demolition of a building. These laws may impose fines and penalties on building owners or operators for failure to comply with these requirements and may allow third parties to seek recovery from owners or operators for personal injury associated with exposure to asbestos fibers. Some of our properties may contain asbestos-containing building materials.

Some of our properties are leased or have been leased, in part, to owners and operators of businesses that use, store, or otherwise handle petroleum products or other hazardous or toxic substances. These operations create a potential for the release of petroleum products or other hazardous or toxic substances. Some of our properties are adjacent to or near other properties that have contained or currently contain petroleum products or other hazardous or toxic substances. In addition, certain of our properties are on, are adjacent to, or are near other properties upon which others, including former owners or tenants of the properties, have engaged or may in the future engage in activities that may release petroleum products or other hazardous or toxic substances. From time to time, we may acquire properties, or interests in properties, with known adverse environmental conditions where we believe that the environmental liabilities associated with these conditions are quantifiable and the acquisition will yield a superior risk-adjusted return. Environmental issues for each property are evaluated and quantified prior to acquisition. The costs of environmental investigation, clean-up, and monitoring are underwritten into the cost of the acquisition and appropriate environmental insurance is obtained for the property. In connection with certain divested properties, we have agreed to remain responsible for, and to bear the cost of, remediating or monitoring certain environmental conditions on the properties.

All of our properties were subject to a Phase I or similar environmental assessments by independent environmental consultants at the time of acquisition. Phase I assessments are intended to discover and evaluate information regarding the environmental condition of the surveyed property and surrounding properties and include an historical review, a public records review, an investigation of the surveyed site and surrounding properties, and preparation and issuance of a written report. We may perform additional Phase II testing if recommended by the independent environmental consultant. Phase II testing may include the collection and laboratory analysis of soil and groundwater samples, completion of surveys for asbestos-containing building materials, and any other testing that the consultant considers prudent in order to test for the presence of hazardous materials.

None of the environmental assessments of our properties has revealed any environmental liability that we believe would have a material adverse effect on our financial condition or results of operations taken as a whole. Furthermore, we are not aware of any such material environmental liability. Nonetheless, it is possible that the assessments do not reveal all environmental liabilities and that there are material environmental liabilities of which we are unaware or that known environmental conditions may give rise to liabilities that are materially greater than anticipated. Moreover, the current environmental condition of our properties may be affected by tenants, the condition of land, operations in the vicinity of the properties (such as releases from underground storage tanks), or by third parties unrelated to us. If the costs of compliance with existing or future environmental laws and regulations exceed our budgets for these items, then our financial condition, results of operations, cash flow, and ability to pay dividends on, and the market price of, our stock could be adversely affected.

Our Financial Condition could be Adversely Affected if We Fail to Comply with Other Regulations

Our properties are also subject to various federal, state, and local regulatory requirements such as state and local fire and life safety requirements. If we fail to comply with these requirements, then we might incur fines by governmental authorities or be required to pay awards of damages to private litigants. We believe that our properties are currently in substantial compliance with all such regulatory requirements. However, these requirements may change or new requirements may be imposed, which could require significant unanticipated expenditures by us. Any such unanticipated expenditure could adversely affect our financial condition, results of operations, cash flow, and ability to pay dividends on, and the market price of, our stock.

Federal Income Tax Risks

Our Failure to Qualify as a Real Estate Investment Trust Would Have Serious Adverse Consequences to Stockholders

We elected to be taxed as a real estate investment trust under Sections 856 through 860 of the Internal Revenue Code commencing with our taxable year ended December 31, 1997. We currently intend to operate so as to qualify as a real estate investment trust under the Internal Revenue Code and believe that our current organization and method of operation comply with the rules and regulations promulgated under the Internal Revenue Code to enable us to continue to qualify as a real estate investment trust. However, it is possible that we have been organized or have operated in a manner that would not allow us to qualify as a real estate investment trust, or that our future operations could cause us to fail to qualify. Qualification as a real estate investment trust requires us to satisfy numerous requirements (some on an annual and quarterly basis) established under highly technical and complex Internal Revenue Code provisions for which there are only limited judicial and administrative interpretations, and involves the determination of various factual matters and circumstances not entirely within our control. For example, in order to qualify as a real estate investment trust, we must derive at least 95% of our gross income in any year from qualifying sources. In addition, we must pay dividends to stockholders aggregating annually at least 90% of our real estate investment trust taxable income (determined without regard to the dividends paid deduction and by excluding capital gains) and must satisfy specified asset tests on a quarterly basis. These provisions and the applicable treasury regulations are more complicated in our case because we hold our assets in partnership form. Legislation, new regulations, administrative interpretations, or court decisions could significantly change the tax laws with respect to qualification as a real estate investment trust or the federal income tax consequences of such qualification. However, we are not aware of any pending tax legislation that would adversely affect our ability to operate as a real estate investment trust.

If we fail to qualify as a real estate investment trust in any taxable year, then we will be required to pay federal income tax (including any applicable alternative minimum tax) on our taxable income at regular corporate rates. Unless we are entitled to relief under certain statutory provisions, we would be disqualified from treatment as a real estate investment trust for the four taxable years following the year during which we lost qualification. If we lose our real estate investment trust status, then our net earnings available for investment or distribution to stockholders would be significantly reduced for each of the years involved. In addition, we would no longer be required to make distributions to our stockholders.

We Pay Some Taxes

Even if we qualify as a real estate investment trust, we will be required to pay certain state and local taxes on our income and property. In addition, we will be required to pay federal and state income tax on the net taxable income, if any, from the activities conducted through AMB Investment Management, Inc. and Headlands Realty Corporation. AMB Investment Management, Inc. and Headlands Realty Corporation, as taxable real estate investment subsidiaries, are also subject to tax on their income, reducing their cash available for distribution to us.

Certain Property Transfers May Generate Prohibited Transaction Income

From time to time, we may transfer or otherwise dispose of some of our properties. Under the Internal Revenue Code, any gain resulting from transfers of properties that we hold as inventory or primarily for sale to customers in the ordinary course of business would be treated as income from a prohibited transaction. We would be required to pay a 100% penalty tax on that income. Since we acquire properties for investment purposes, we believe that any transfer or disposal of property by us would not be deemed by the Internal Revenue Service to be a prohibited transaction with any resulting gain allocable to us being subject to a 100% penalty tax. However, whether property is held for investment purposes is a question of fact that depends on all the facts and circumstances surrounding the particular transaction. The Internal Revenue Service may contend that certain transfers or disposals of properties by us are prohibited transactions. While we believe that the Internal Revenue Service would not prevail in any such dispute, if the IRS successfully argued that a transfer or disposition of property constituted a prohibited transaction, then we would be required to pay a 100% penalty tax on any gain allocable to us from the prohibited transaction. In addition, any income from a prohibited transaction may adversely affect our ability to satisfy the income tests for qualifications as a real estate investment trust for federal income tax purposes.

We Are Dependent On Our Key Personnel

We depend on the efforts of our executive officers. While we believe that we could find suitable replacements for these key personnel, the loss of their services or the limitation of their availability could adversely affect our financial condition, results of operations, cash flow, and ability to pay dividends on, and the market price of, our stock. We do not have employment agreements with any of our executive officers.

We May Be Unable to Manage Our Growth

Our business has grown rapidly and continues to grow through property acquisitions and developments. If we fail to effectively manage our growth, then our financial condition, results of operations, cash flow, and ability to pay dividends on, and the market price of, our stock could be adversely affected.

Ownership of Our Stock

Limitations in Our Charter and Bylaws Could Prevent a Change in Control

Certain provisions of our charter and bylaws may delay, defer, or prevent a change in control or other transaction that could provide the holders of our common stock with the opportunity to realize a premium over the then-prevailing market price for the common stock. To maintain our qualification as a real estate investment trust for federal income tax purposes, not more than 50% in value of our outstanding stock may be owned, actually or constructively, by five or fewer individuals (as defined in the Internal Revenue Code to include certain entities) during the last half of a taxable year after the first taxable year for which a real estate investment trust election is made. Furthermore, our common stock must be held by a minimum of 100 persons for at least 335 days of a 12-month taxable year (or a proportionate part of a short tax year). In addition, if we, or an owner of 10% or more of our stock, actually or constructively owns 10% or more of one of our tenants (or a tenant of any partnership in which we are a partner), then the rent received by us (either directly or through any such partnership) from that tenant will not be qualifying income for purposes of the real estate investment trust gross income tests of the Internal Revenue Code. To facilitate maintenance of our qualification as a real estate investment trust for federal income tax purposes, we will prohibit the ownership, actually or by virtue of the constructive ownership provisions of the Internal Revenue Code, by any single person of more than 9.8% (by value or number of shares, whichever is more restrictive) of the issued and outstanding shares of our common stock and more than 9.8% (by value or number of shares, whichever is more restrictive) of the issued and outstanding shares of our Series A Preferred Stock, and we will also prohibit the ownership, actually or constructively, of any shares of our other preferred stock by any single person so that no such person, taking into account all of our stock so owned by such person, may own in excess of 9.8% of our issued and outstanding capital stock. We refer to this limitation as the "ownership limit." Shares acquired or held in violation of the ownership limit will be transferred to a trust for the benefit of a designated charitable beneficiary. Any person

who acquires shares in violation of the ownership limit will not be entitled to any dividends on the shares or be entitled to vote the shares or receive any proceeds from the subsequent sale of the shares in excess of the lesser of the price paid for the shares or the amount realized from the sale. A transfer of shares in violation of the above limits may be void under certain circumstances. The ownership limit may have the effect of delaying, deferring, or preventing a change in control and, therefore, could adversely affect our stockholders' ability to realize a premium over the then-prevailing market price for the shares of our common stock in connection with such transaction.

Our charter authorizes us to issue additional shares of common and preferred stock and to establish the preferences, rights, and other terms of any series or class of preferred stock that we issue. Although our board of directors has no intention to do so at the present time, it could establish a series or class of preferred stock that could delay, defer, or prevent a transaction or a change in control that might involve a premium price for the common stock or otherwise be in the best interests of our stockholders.

Our charter and bylaws and Maryland law also contain other provisions that may delay, defer, or prevent a transaction, including a change in control, that might involve payment of a premium price for the common stock or otherwise be in the best interests of our stockholders. Those provisions include the following: (1) the provision in the charter that directors may be removed only for cause and only upon a two-thirds vote of stockholders, together with bylaw provisions authorizing the board of directors to fill vacant directorships; (2) the provision in the charter requiring a two-thirds vote of stockholders for any amendment of the charter; (3) the requirement in the bylaws that the request of the holders of 50% or more of our common stock is necessary for stockholders to call a special meeting; (4) the requirement of Maryland law that stockholders may only take action by written consent with the unanimous approval of all stockholders entitled to vote on the matter in question; and (5) the requirement in the bylaws of advance notice by stockholders for the nomination of directors or proposal of business to be considered at a meeting of stockholders.

These provisions may impede various actions by stockholders without approval of our board of directors, which in turn may delay, defer or prevent a transaction involving a change of control.

We Could Change Our Investment and Financing Policies without a Vote of Stockholders

Subject to our current investment policy to maintain our qualification as a real estate investment trust (unless a change is approved by our board of directors under certain circumstances), our board of directors will determine our investment and financing policies, our growth strategy and our debt, capitalization, distribution, and operating policies. Although the board of directors has no present intention to revise or amend these strategies and policies, the board of directors may do so at any time without a vote of stockholders. Accordingly, stockholders will have no control over changes in our strategies and policies (other than through the election of directors), and any such changes may not serve the interests of all stockholders and could adversely affect our financial condition or results of operations, including our ability to pay dividends to our stockholders.

If We Issue Additional Securities, then the Investment of Existing Stockholders Will Be Diluted

We have authority to issue shares of common stock or other equity or debt securities in exchange for property or otherwise. Similarly, we may cause the operating partnership to issue additional limited partnership units in exchange for property or otherwise. Existing stockholders will have no preemptive right to acquire any additional securities issued by us or the operating partnership and any issuance of additional equity securities could result in dilution of an existing stockholder's investment.

The Large Number of Shares Available for Future Sale Could Adversely Affect the Market Price of Our Common Stock

We cannot predict the effect, if any, that future sales of shares of our common stock, or the availability of shares of our common stock for future sale, will have on its market price. Sales of a substantial number of shares of our common stock in the public market (or upon exchange of limited partnership units in the

operating partnership) or the perception that such sales (or exchanges) might occur could adversely affect the market price of our common stock.

All shares of common stock issuable upon the redemption of limited partnership units in the operating partnership will be deemed to be "restricted securities" within the meaning of Rule 144 under the Securities Act and may not be transferred unless registered under the Securities Act or an exemption from registration is available, including any exemption from registration provided under Rule 144. In general, upon satisfaction of certain conditions, Rule 144 permits the holder to sell certain amounts of restricted securities one year following the date of acquisition of the restricted securities from us and, after two years, permits unlimited sales by persons unaffiliated with us. Commencing generally on the first anniversary of the date of acquisition of common limited partnership units (or such other date agreed to by the operating partnership and the holders of the units), the operating partnership may redeem common limited partnership units at the request of the holders for cash (based on the fair market value of an equivalent number of shares of common stock at the time of redemption) or, at our option, exchange the common limited partnership units for an equal number of shares of our common stock, subject to certain antidilution adjustments. The operating partnership had issued and outstanding 4,987,828 common limited partnership units as of September 30, 2001. As of September 30, 2001, we had reserved 8,175,903 shares of common stock for issuance under our Stock Option and Incentive Plan (not including shares that we have already issued) and, as of September 30, 2001, we had granted to certain directors, officers, and employees options to purchase 7,605,634 shares of common stock (excluding forfeitures and 226,750 shares that we have issued pursuant to the exercise of options). As of September 30, 2001, we had granted 549,739 restricted shares of common stock, 2,392 of which have been forfeited. In addition, we may issue additional shares of common stock and the operating partnership may issue additional limited partnership units in connection with the acquisition of properties. In connection with the issuance of common limited partnership units to other transferors of properties, and in connection with the issuance of the performance units, we have agreed to file registration statements covering the issuance of shares of common stock upon the exchange of the common limited partnership units. We have also filed a registration statement with respect to the shares of common stock issuable under our Stock Option and Incentive Plan. These registration statements and registration rights generally allow shares of common stock covered thereby, including shares of common stock issuable upon exchange of limited partnership units, including performance units, or the exercise of options or restricted shares of common stock, to be transferred or resold without restriction under the Securities Act. We may also agree to provide registration rights to any other person who may become an owner of the operating partnership's limited partnership units.

Future sales of the shares of common stock described above could adversely affect the market price of our common stock. The existence of the operating partnership's limited partnership units, options, and shares of common stock reserved for issuance upon exchange of limited partnership units, and the exercise of options and registration rights referred to above, also may adversely affect the terms upon which we are able to obtain additional capital through the sale of equity securities.

Various Market Conditions Affect the Price of Our Stock

As with other publicly-traded equity securities, the market price of our stock will depend upon various market conditions, which may change from time to time. Among the market conditions that may affect the market price of our stock are the following: (1) the extent of investor interest in us; (2) the general reputation of real estate investment trusts and the attractiveness of their equity securities in comparison to other equity securities (including securities issued by other real estate-based companies); (3) our financial performance; (4) general stock and bond market conditions, including changes in interest rates on fixed income securities, that may lead prospective purchasers of our stock to demand a higher annual yield from future dividends; and (5) terrorist activity may adversely affect the markets in which our securities trade, possibly increasing market volatility, and cause further erosion of business and consumer confidence and spending.

Other factors such as governmental regulatory action and changes in tax laws could also have a significant impact on the future market price of our stock.

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Earnings and Cash Dividends, Asset Value, and Market Interest Rates Affect the Price of Our Stock

The market value of the equity securities of a real estate investment trust generally is based primarily upon the market's perception of the real estate investment trust's growth potential and its current and potential future earnings and cash dividends. It is based secondarily upon the real estate market value of the underlying assets. For that reason, shares of our stock may trade at prices that are higher or lower than the net asset value per share. To the extent that we retain operating cash flow for investment purposes, working capital reserves, or other purposes, these retained funds, while increasing the value of our underlying assets, may not correspondingly increase the market price of our stock. Our failure to meet the market's expectation with regard to future earnings and cash dividends likely would adversely affect the market price of our stock. Another factor that may influence the price of our stock will be the distribution yield on the stock (as a percentage of the price of the stock) relative to market interest rates. An increase in market interest rates might lead prospective purchasers of our stock to expect a higher distribution yield, which would adversely affect the market price of the stock. If the market price of our stock declines significantly, then we might breach certain covenants with respect to debt obligations, which might adversely affect our liquidity and ability to make future acquisitions and our ability to pay dividends to our stockholders.

Item 6. ***Exhibits and Reports on Form 8-K***

(a) *Exhibits:*

Exhibit Number	Description
3.1	Articles Supplementary establishing and fixing the rights and preferences of the 7.95% Series J Cumulative Redeemable Preferred Stock (incorporated by reference to Exhibit 3.1 of the Registrant's Current Report on Form 8-K filed on October 3, 2001).
4.1	$25,000,000 6.75% Fixed Rate Note No. 10 dated September 6, 2001, attaching the Parent Guarantee dated September 6, 2001 (incorporated by reference to Exhibit 4.1 of the Registrant's Current Report on Form 8-K filed on September 18, 2001).
10.1	Terms Agreement dated as of August 30, 2001, by and among Lehman Brothers Inc. and AMB Property, L.P. and AMB Property Corporation (incorporated by reference to Exhibit 1.1 of the Registrant's Current Report on Form 8-K filed on September 18, 2001)
10.2	Fifth Amended and Restated Agreement of Limited Partnership of AMB Property, L.P., dated September 21, 2001 (incorporated by reference to Exhibit 10.1 of the Registrant's Current Report on Form 8-K filed on October 3, 2001)
10.3	Registration Rights Agreement among AMB Property Corporation, AMB Property, L.P., and the unit holders signatory thereto dated September 21, 2001 (incorporated by reference to Exhibit 4.1 of the Registrant's Current Report on Form 8-K filed on October 3, 2001).
10.4	Revolving Credit Agreement dated as of August 23, 2001, among AMB Institutional Alliance Fund II, L.P. and AMB Institutional Alliance REIT II, Inc., the banks and financial institutions listed therein, Bank of America, N.A. as Administrative Agent, Dresdner Bank AG, as Syndication Agent, and Bank One, NA, as Documentation Agent.

(b) *Reports on Form 8-K:*

- The Registrant filed a Current Report on Form 8-K on September 18, 2001, in connection with the issuance of $25.0 million in senior unsecured notes by AMB Property, L.P. under its medium-term note program.

- The Registrant filed a Current Report on Form 8-K on October 3, 2001, in connection with the issuance and sale by AMB Property, L.P. of 800,000 7.95% Series J Cumulative Redeemable Preferred Limited Partnership Units and the filing by the Registrant Articles Supplementary establishing and fixing the rights and preferences of the 7.95% Series J Cumulative Redeemable Preferred Stock.

- The Registrant filed a Current Report on Form 8-K on October 16, 2001, in connection with its third quarter 2001 earnings release.

SIGNATURES

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

AMB PROPERTY CORPORATION
Registrant

By: /s/ MICHAEL A. COKE

Michael A. Coke
Chief Financial Officer and
Executive Vice President
(Duly Authorized Officer and Principal
Financial and Accounting Officer)

Date: November 12, 2001

EXHIBITS INDEX

Exhibit Number	Exhibit List
3.1	Articles Supplementary establishing and fixing the rights and preferences of the 7.95% Series J Cumulative Redeemable Preferred Stock (incorporated by reference to Exhibit 3.1 of the Registrant’s Current Report on Form 8-K filed on October 3, 2001).
4.1	$25,000,000 6.75% Fixed Rate Note No. 10 dated September 6, 2001, attaching the Parent Guarantee dated September 6, 2001 (incorporated by reference to Exhibit 4.1 of the Registrant’s Current Report on Form 8-K filed on September 18, 2001).
10.1	Terms Agreement dated as of August 30, 2001, by and among Lehman Brothers Inc. and AMB Property, L.P. and AMB Property Corporation (incorporated by reference to Exhibit 1.1 of the Registrant’s Current Report on Form 8-K filed on September 18, 2001)
10.2	Fifth Amended and Restated Agreement of Limited Partnership of AMB Property, L.P., dated September 21, 2001 (incorporated by reference to Exhibit 10.1 of the Registrant’s Current Report on Form 8-K filed on October 3, 2001)
10.3	Registration Rights Agreement among AMB Property Corporation, AMB Property, L.P., and the unit holders signatory thereto dated September 21, 2001 (incorporated by reference to Exhibit 4.1 of the Registrant’s Current Report on Form 8-K filed on October 3, 2001).
10.4	Revolving Credit Agreement dated as of August 23, 2001, among AMB Institutional Alliance Fund II, L.P. and AMB Institutional Alliance REIT II, Inc., the banks and financial institutions listed therein, Bank of America, N.A. as Administrative Agent, Dresdner Bank AG, as Syndication Agent, and Bank One, NA, as Documentation Agent.

EXHIBIT 10.4

==

AMB INSTITUTIONAL ALLIANCE FUND II, L.P.
BORROWER

AMB INSTITUTIONAL ALLIANCE REIT II, INC.
GUARANTOR

==

AMENDED AND RESTATED REVOLVING CREDIT AGREEMENT

==

BANK OF AMERICA, N.A.
As Administrative Agent

BANC OF AMERICA SECURITIES LLC
As Sole Lead Arranger and Sole Book Manager

DRESDNER BANK AG
As Syndication Agent

BANK ONE, NA
As Documentation Agent

AUGUST 23, 2001

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AMENDED AND RESTATED REVOLVING CREDIT AGREEMENT

THIS AMENDED AND RESTATED REVOLVING CREDIT AGREEMENT (this "CREDIT AGREEMENT") is dated as of August 23, 2001 by and among AMB INSTITUTIONAL ALLIANCE FUND II, L.P., a Delaware limited partnership (the "BORROWER") and AMB INSTITUTIONAL ALLIANCE REIT II, INC. (the "INVESTOR REIT" or "GUARANTOR"), the banks and financial institutions listed on the signature page hereof as the Initial Lenders (the "INITIAL LENDERS"), and BANK OF AMERICA, N.A., a national banking association (in its individual capacity, "BANK OF AMERICA"), as administrative agent (together with any successor appointed pursuant to SECTION 12 below, the "ADMINISTRATIVE AGENT") for the Lenders (as hereinafter defined), DRESDNER BANK AG, a German banking corporation, acting through its New York and Grand Cayman branches, as syndication agent (the "SYNDICATION AGENT") for the Lenders, BANK ONE, NA, a national banking association, as documentation agent (the "DOCUMENTATION AGENT" and, collectively with the Administrative Agent and the Syndication Agent, the "AGENTS") for the Lenders, and each of the other lending institutions that becomes a lender hereunder (herein collectively referred to as the "LENDERS"; and each individually referred to as a "LENDER").

A. Borrower has requested that Lenders make loans and cause the issuance of letters of credit for the principal purpose of financing the costs and other expenses to be incurred by Borrower in connection with making investments permitted under the Partnership Agreement, paying expenses, and carrying on its day-to-day business;

B. Lenders are willing to lend funds and to cause the issuance of letters of credit upon the terms and subject to the conditions set forth in this Credit Agreement; and

C. This Credit Agreement amends and restates in its entirety that certain Revolving Credit Agreement (the "ORIGINAL CREDIT AGREEMENT") dated as of June 28, 2001, by and among Borrower, Guarantor, Bank of America, N.A., as administrative agent, and the lenders party thereto.

NOW, THEREFORE, in consideration of the mutual promises herein contained and for other valuable consideration the parties hereto do hereby agree as follows:

SECTION 1. DEFINITIONS

1.1 DEFINED TERMS. For the purposes of this Credit Agreement, unless otherwise expressly defined, the following terms shall have the respective meanings assigned to them in this SECTION 1 or in the Section or recital referred to:

"ACCOUNT ASSIGNMENT" means an assignment of the Borrower Subscription Account or an assignment of the Guarantor Subscription Account, each in substantially the form attached hereto as EXHIBIT J, and "ACCOUNT ASSIGNMENT" means either one of them.

"ADEQUATELY CAPITALIZED" means compliance with the capital standards for bank holding companies as described in the Bank Holding Company Act of 1956, as amended, and regulations promulgated thereunder.

"ADJUSTED LIBOR RATE" means, for any LIBOR Loan for any Interest Period therefor, the rate per annum (rounded upwards, if necessary, to the nearest 1/100 of 1%) determined by Administrative Agent to be equal to: (a) the quotient obtained by dividing: (i) the LIBOR Rate for such LIBOR Loan for such Interest Period; by (ii) one (1) minus the LIBOR Reserve Requirement for such LIBOR Loan for such Interest Period; plus (b) the Applicable Margin.

"ADMINISTRATIVE AGENT" is defined in the preamble to this Credit Agreement.

"AFFILIATE" means any other Person that, directly or indirectly, controls or is controlled by, or is under common control with, such Person. For the purpose of this definition, "control" and the correlative meanings of the terms "controlled by" and "under common control with" means the possession, directly or indirectly, of the power to direct or cause the direction of the management and policies of such Person, whether through the ownership of voting shares or partnership interests or by contract or otherwise.

"AGENTS" is defined in the preamble to this Credit Agreement.

"ANNUAL VALUATION PERIOD" means the "annual valuation period" as defined in 29 CFR Section 2510.3-101(d)(5) as determined, for Borrower, by designation of the General Partner, and, for Guarantor, by action of its duly authorized officer.

"APPLICABLE LENDING OFFICE" means, for each Lender and for each Type of Loan, the "lending office" of such Lender (or of an affiliate of such Lender) designated for such Type of Loan on the signature pages hereof or such other office of such Lender (or an affiliate of such Lender) as such Lender may from time to time specify to Administrative Agent and Borrower by written notice in accordance with the terms hereof as the office by which its Loans of such Type are to be made and maintained.

"APPLICABLE MARGIN" means, with respect to interest rate spreads and letter of credit fees, eighty-seven and one-half basis points (0.875%) per annum.

"APPLICABLE REQUIREMENT" means for any Included Investor that is (or whose Credit Provider, if applicable, is): (a) a Bank Holding Company, Adequately Capitalized status or better and a Rating of BBB/Baa2 or higher; (b) an insurance company, a Best's Rating of A- or higher and a Rating of BBB/Baa2; (c) an ERISA Investor, or the trustee or nominee of an ERISA Investor, in addition to the Sponsor's Rating of BBB/Baa2 or higher, a minimum Funding Ratio for the ERISA Investor based on the Rating of the Sponsor of the pension fund as follows:

Sponsor Rating	Minimum Funding Ratio
A-/A3 or higher	No minimum
BBB+/Baal or higher	90%
BBB/Baa2	95%

(d) a Governmental Plan Investor, or the Responsible Party with respect to such Governmental Plan Investor, in addition to the Responsible Party's Rating of BBB/Baa2 or higher, a minimum Funding Ratio for the pension fund based on the Rating of the Responsible Party as follows:

Responsible Party Rating	Minimum Funding Ratio
A-/A3 or higher	No minimum
BBB+/Baa1 or higher	90%
BBB/Baa2	95%

and (e) otherwise a Rated Investor, a Rating of BBB/Baa2 or higher.

The first rating indicated in each case above is the S&P rating and the second rating indicated in each case above is the Moody's rating. In the event that the S&P and Moody's ratings are not equivalent, the Applicable Requirement shall be based on the lower of the two. If any such Person has only one Rating, from either S&P or Moody's, that Rating shall apply.

"APPLICATION AND AGREEMENT FOR LETTER OF CREDIT" means an application and agreement for standby letter of credit by, between and among all or any of Borrower or a Qualified Borrower, on the one hand, and the Letter of Credit Issuer, on the other hand, in a form provided by the Letter of Credit Issuer (and customarily used by it in similar circumstances) and conformed to the terms of this Credit Agreement, either as originally executed or as it may from time to time be supplemented, modified, amended, renewed, or extended, provided, however, to the extent that the terms of such Application and Agreement are inconsistent with the terms of this Credit Agreement, the terms of this Credit Agreement shall control.

"ARTICLES OF INCORPORATION" means the Articles of Incorporation of Guarantor dated as of June 27, 2001, as the same may be further amended, restated, supplemented or otherwise modified from time to time with the consent of Administrative Agent, the Letter of Credit Issuer, and the Lenders to the extent

expressly required hereby.

"ASSIGNEE" is defined in SECTION 13.11(c) hereof.

"ASSIGNMENT AND ACCEPTANCE AGREEMENT" means the agreement contemplated by SECTION 13.11(c) hereof, pursuant to which any Lender assigns all or any portion of its rights and obligations hereunder, which agreement shall be in the form of EXHIBIT O attached hereto.

"AVAILABLE COMMITMENT" means the lesser of: (a) the Maximum Commitment, or such lesser amount after giving effect to reductions in the Commitments pursuant to SECTION 3.6 hereof; or (b) ninety percent (90%) of the Remaining Capital Commitments of the Included Investors.

"BANK HOLDING COMPANY" means a "bank holding company" as defined in Section 2(a) of the Bank Holding Company Act of 1956, as amended, or a non-bank subsidiary of such bank holding company.

"BANK OF AMERICA" is defined in the preamble to this Credit Agreement.

"BAS" means Banc of America Securities LLC.

"BEST'S RATING" means a "Best's Rating" by A.M. Best Company.

"BORROWER" is defined in the first paragraph hereof.

"BORROWER GUARANTY" means an unconditional guaranty of payment in the form of EXHIBIT H attached hereto, enforceable against Borrower for the payment of a Qualified Borrower's debt or obligation to Lenders; and "BORROWER GUARANTIES" means such guaranties, collectively.

"BORROWER PARTY" is defined in SECTION 12.1(a) hereof.

"BORROWER'S SECURITY AGREEMENT" means a security agreement substantially in the form of EXHIBIT I, between Borrower and Administrative Agent.

"BORROWER SUBSCRIPTION ACCOUNT" is defined in SECTION 5.2(a).

"BORROWING" means a disbursement made by Lenders of any of the proceeds of the Loans when such disbursement increases the outstanding principal amount of the Loans, and "BORROWINGS" means the plural thereof.

"BUSINESS DAY" means any day of the year except a Saturday, Sunday or other day on which commercial banks in the State of California are authorized by law to close.

"CAPITAL ACCOUNT" is defined in the Partnership Agreement.

"CAPITAL CALL" means a call upon the Investors to fund all or any portion of the Capital Commitments pursuant to and in accordance with, as applicable, their respective Subscription Agreements and the Articles of Incorporation, or the Partnership Agreement.

"CAPITAL CALL NOTICE" means any notice sent to the Investors for the purpose of making a Capital Call.

"CAPITAL CALL NOTICE DATE" is defined in SECTION 5.2(c) hereof.

"CAPITAL COMMITMENT" means: (a) for any Shareholder, the commitment of such Shareholder to fund Capital Contributions to Guarantor in the amount set forth in, and pursuant to the terms of, such Investor's Subscription Agreement and the Articles of Incorporation; and (b) for any Partner, its "Capital Commitment" as defined in the Partnership Agreement; and "CAPITAL COMMITMENTS" shall mean the aggregate Capital Commitments of all Investors.

"CAPITAL CONTRIBUTION" means: (a) for any Shareholder, the payment by such Shareholder of the Purchase Price (as defined in such Shareholder's Subscription Agreement) for shares of capital stock of Guarantor; and (b) for any Partner, a "Capital Contribution" as defined in the Partnership Agreement.

"CAPITAL LEASE" means, as applied to any Person, any lease of any property (whether real, personal or mixed) by that Person as lessee which, in accordance with GAAP, is or should be accounted for as a capital lease on the balance sheet of that Person and the amount of such obligation shall be the capitalized amount thereof determined in accordance with GAAP.

"CAPITAL STOCK" means the capital stock of Guarantor.

"CERCLIS" means the Comprehensive Environmental Response, Compensation and

Liability Information System.

"CLOSING DATE" means the date hereof, provided that all of the conditions precedent set forth in SECTION 7.1 hereof are satisfied or waived.

"CODE" means the Uniform Commercial Code as adopted in the State of New York and any other state, which governs creation or perfection (and the effect thereof) of security interests in any collateral for the Obligation.

"COLLATERAL" is defined in SECTION 5.1 hereof.

"COLLATERAL DOCUMENTS" means the security agreements, financing statements, assignments, and other documents and instruments from time to time executed and delivered pursuant to this Credit Agreement and any documents or instruments amending or supplementing the same, including, without limitation, the Borrower's Security Agreement, the Pledge and Security Agreements, the Pledge Agreement, and the Account Assignments.

"COMMITMENT" means, for each Lender, the amount set forth opposite its signature on this Credit Agreement or on its respective Assignment and Acceptance Agreement, as the same may be reduced from time to time by Borrower, pursuant to SECTION 3.6 hereof, or by further assignment by such Lender pursuant to SECTION 13.11(c) hereof.

"COMMITMENT PERIOD" means the period commencing on the Closing Date and ending on the Maturity Date.

"COMPLIANCE CERTIFICATE" is defined in SECTION 9.1(b).

"CONFIDENTIAL INFORMATION" means, at any time, all data, reports, interpretations, forecasts and records containing or otherwise reflecting information and concerning any or all of Borrower, its Partners, Guarantor or its Shareholders which is not available to the general public, together with analyses, compilations, studies or other documents, which contain or otherwise reflect such information made available by or on behalf of Borrower, its Partners, Guarantor or its Shareholders pursuant to this Credit Agreement orally or in writing to Administrative Agent or any Lender or their respective attorneys, certified public accountants or agents, which was clearly and conspicuously marked or communicated as "Confidential," or otherwise requested in writing to be held confidential, but shall not include any data or information that: (a) was or became generally available to the public at or prior to such time (unless divulged by Administrative Agent or such Lender or Administrative Agent's or Lender's respective attorneys, certified public accountants or agents); or (b) was or became available to Administrative Agent or a Lender or to Administrative Agent's or Lender's respective attorneys, certified public accountants or agents on a non-confidential basis from Borrower, its Partners, Guarantor or its Shareholders, or any other source at or prior to such time.

"CONSTITUENT DOCUMENTS" means, for any entity, its constituent or organizational documents, including: (a) in the case of a limited partnership, its certificate of limited partnership and its limited partnership agreement;

(ii) in the case of a limited liability company, its certificate of formation or organization and its operating agreement or limited liability company agreement; and (iii) in the case of a corporation, its articles or certificate of incorporation and its bylaws.

"CONTINUE", "CONTINUATION", and "CONTINUED" shall refer to the continuation pursuant to a Rollover of a LIBOR Loan as a LIBOR Loan from one Interest Period to the next Interest Period.

"CONTROLLED GROUP" means: (a) the controlled group of corporations as defined in Section 1563 of the Internal Revenue Code; or (b) the group of trades or businesses under common control as defined in Section 414(c) of the Internal Revenue Code, in each case of which Borrower is a part or may become a part.

"CONVERSION DATE" is any LIBOR Conversion Date, or Reference Rate Conversion Date, as applicable.

"CONVERSION NOTICE" is defined in SECTION 2.3(d) hereof.

"CONVERT," "CONVERSION," and "CONVERTED" shall refer to a conversion pursuant to SECTION 2.3(d) or SECTION 4 of one Type of Loan into another Type of Loan.

"COVERED PLAN" means an "employee benefit plan" as defined in Section 3(3) of ERISA and covered by Section 4 of ERISA.

"CREDIT AGREEMENT" means this Revolving Credit Agreement, of which this SECTION 1 forms a part, together with all amendments and modifications hereof and supplements and attachments hereto.

"CREDIT PARTY CLAIMS" is defined in SECTION 5.5 hereof.

"CREDIT PARTIES" means Borrower and Guarantor and "CREDIT PARTY" means any one of them.

"CREDIT PROVIDER" means a Person providing a guaranty, in form and substance acceptable to Administrative Agent, of the obligations of an Included Investor to make Capital Contributions to Borrower or Guarantor, or, under the Investor Letter, to Administrative Agent.

"CURRENT PARTY" is defined in SECTION 13.12.

"DEBTOR RELIEF LAWS" means any applicable liquidation, conservatorship, bankruptcy, moratorium, rearrangement, insolvency, fraudulent conveyance, reorganization, or similar laws affecting the rights, remedies, or recourse of creditors generally, including without limitation the United States Bankruptcy Code and all amendments thereto, as are in effect from time to time during the term of the Loans.

"DEFAULT RATE" means on any day the lesser of: (a) the Reference Rate in effect on such day, PLUS four percent (4%); or (b) the Maximum Rate.

"DEFAULTING INVESTOR" is defined in SECTION 2.1(c) hereof.

"DOCUMENTATION AGENT" is defined in the preamble to this Credit Agreement.

"DOLLARS" and the sign "$" means lawful currency of the United States of America.

"ELIGIBLE ASSIGNEE" means: (a) a Lender; (b) an Affiliate of a Lender, so long as the assigning Lender is not released from its obligations hereunder; or (c) any other Person approved by Administrative Agent, such approval not to be unreasonably withheld or delayed.

"ENVIRONMENTAL COMPLAINT" means any complaint, order, demand, citation or notice threatened or issued in writing to Borrower by any Person with regard to air emissions, water discharges, Releases, or disposal of any Hazardous Material, noise emissions or any other environmental, health or safety matter affecting Borrower or any of Borrower's Properties.

"ENVIRONMENTAL LAWS" means: (a) the Comprehensive Environmental Response, Compensation and Liability Act of 1980, as amended by the Superfund Amendments and Re-authorization Act of 1986, 42 U.S.C. Section 9601 et seq.; (b) the Resource Conservation and Recovery Act of 1976, as amended by the Hazardous and Solid Waste Amendments of 1984, 42 U.S.C. Section 6901 et seq.; (c) the Clean Air Act, 42 U.S.C. Section 7401 et seq., as amended by the Clean Air Act Amendments of 1990; (d) the Clean Water Act of 1977, 33 U.S.C. Section 1251 et seq.; (e) the Toxic Substances Control Act, 15 U.S.C.A. Section 2601 et seq.; (f) all other federal, state and local laws, or ordinances relating to pollution or protection of human health or the environment including without limitation, air pollution, water pollution, noise control, or the use, handling, discharge, disposal or Release of Hazardous Materials, as each of the foregoing may be amended from time to time, applicable to Borrower, and (g) any and all regulations promulgated under or pursuant to any of the foregoing statutes.

"ENVIRONMENTAL LIABILITY" means any written claim, demand, obligation, cause of action, accusation or allegation, or any order, violation, damage (including, without limitation, to any Person, property or natural resources), injury, judgment, penalty or fine, cost of enforcement, cost of remedial action, cleanup, restoration or any other cost or expense whatsoever, including reasonable attorneys' fees and disbursements resulting from the violation or alleged violation of any Environmental Law or the imposition of any Environmental Lien or otherwise arising under any Environmental Law or resulting from any common law cause of action asserted by any Person.

"ENVIRONMENTAL LIEN" means a Lien in favor of any Governmental Authority: (a) under any Environmental Law; or (b) for any liability or damages arising from, or costs incurred by, any Governmental Authority in response to the Release or threatened Release of any Hazardous Material.

"ENVIRONMENTAL REQUIREMENT" means any Environmental Law, agreement, or restriction, as the same now exists or may be changed, amended, or come into effect in the future, which pertains to health, safety, or the environment, including, but not limited to ground, air, water, or noise pollution, or underground or aboveground tanks.

"ERISA" means the Employee Retirement Income Security Act of 1974, as amended, and the rules and regulations promulgated thereunder by any Governmental Authority, as from time to time in effect.

"ERISA INVESTOR" means an Investor that is an "employee benefit plan" (as such term is defined in Section 3(3) of ERISA) subject to Title I of ERISA, any "plan" defined in Section 4975(e) of the Code, a group trust, as described in Revenue Ruling 81-100, or a partnership or commingled account of a fund, or any other entity whose assets include or are deemed to include the assets of one or more such employee benefit plans subject to Title I of ERISA, as determined under Section 2510.3-101 or Section 2550.401c-1 of the regulations of the United States Department of Labor or under any other relevant legal authority.

"EVENT OF DEFAULT" is defined in SECTION 11.1 hereof.

"EXCLUSION EVENT" is defined in SECTION 2.1(c) hereof.

"FEDERAL FUNDS RATE" means, on any day, a fluctuating interest rate per annum (rounded upwards, if necessary, to the nearest 1/100th of 1%) equal to the weighted average of the rates on overnight Federal funds transactions with members of the Federal Reserve System arranged by Federal funds brokers, as published for such day (or, if such day is not a Business Day, for the next preceding Business Day) by the Federal Reserve Bank of New York, or, if such rate is not so published for any day which is a Business Day, the average of the quotations for such day on such transactions received by Administrative Agent from three (3) Federal funds brokers of recognized standing selected by Administrative Agent.

"FEE LETTER" shall mean that certain letter agreement by and among Borrower, Guarantor, Administrative Agent and BAS, dated May 21, 2001.

"FUNDING ACCOUNT" means an account maintained by Administrative Agent for the purpose of funding Loans and receiving and disbursing payments hereunder. The Funding Account shall be maintained at an office of Administrative Agent in San Francisco, California, or such other place of which Administrative Agent shall notify Borrower and Lenders.

"FUNDING RATIO" means: (a) for a Governmental Plan Investor, the total net fair market value of the assets of the plan over the actuarial present value of the plan's total benefit liabilities, as reported in such plan's audited financial statements; and (b) for an ERISA Investor, the funded current liability percentage reported on Schedule B to the most recent Form 5500 filed by such plan with the United States Department of Labor.

"GENERALLY ACCEPTED ACCOUNTING PRINCIPLES" means those generally accepted accounting principles and practices that are recognized as such by the American Institute of Certified Public Accountants or by the Financial Accounting Standards Board or through other appropriate boards or committees thereof, and that are consistently applied for all periods, after the date hereof, so as to properly reflect the financial position of Borrower, except that any accounting principle or practice required to be changed by the Financial Accounting Standards Board (or other appropriate board or committee of the said Board) in order to continue as a generally accepted accounting principle or practice may be so changed.

"GENERAL PARTNER" means AMB Property, L.P., a Delaware limited partnership, which is the general partner of Borrower.

"GOVERNMENTAL AUTHORITY" means any foreign governmental authority, the United States of America, any State of the United States of America, and any subdivision of any of the foregoing, and any agency,

department, commission, board, authority or instrumentality, bureau or court having jurisdiction over Borrower, General Partner, Guarantor, Administrative Agent, any Lender, or the Letter of Credit Issuer, or any of their respective businesses, operations, assets, or properties.

"GOVERNMENTAL PLAN INVESTOR" means an Investor that is a pension plan and that is a governmental plan as defined in Section 3(32) of ERISA.

"GUARANTOR" is defined in the first paragraph hereof.

"GUARANTOR SUBSCRIPTION ACCOUNT" is defined in SECTION 5.2(a).

"GUARANTY" means the Guaranty of Guarantor made under SECTION 6 hereof.

"GUARANTY OBLIGATIONS" means, with respect to any Person, without duplication, any obligations (other than endorsements in the ordinary course of business of negotiable instruments for deposit or collection) guaranteeing any Indebtedness of any other Person in any manner, whether direct or indirect, and including without limitation any obligation, whether or not contingent: (a) to purchase any such Indebtedness or other obligation or any property constituting security therefor; (b) advance or provide funds or other support for the payment or purchase of such Indebtedness or obligation or to maintain working capital, solvency or other balance sheet condition of such other Person (including,

without limitation, maintenance agreements, comfort letters, take or pay arrangements, put agreements or similar agreements or arrangements) for the benefit of the holder of Indebtedness of such other Person; (c) to lease or purchase property, securities or services primarily for the purpose of assuring the owner of such Indebtedness; or (d) to otherwise assure or hold harmless the owner of such Indebtedness or obligation against loss in respect thereof. The amount of any Guaranty Obligation hereunder shall (subject to any limitations set forth therein) be deemed to be an amount equal to the outstanding principal amount (or maximum principal amount, if larger) of the Indebtedness in respect of which such Guaranty Obligation is made.

"HAZARDOUS MATERIAL" means any substance, material, or waste which is or becomes regulated, under any Environmental Law, as hazardous to public health or safety or to the environment, including, but not limited to: (a) any substance or material designated as a "hazardous substance" pursuant to Section 311 of the Clean Water Act, as amended, 33 U.S.C. Section 1251 et seq., or listed pursuant to Section 307 of the Clean Water Act, as amended; (b) any substance or material defined as "hazardous waste" pursuant to Section 1004 of the Resource Conservation and Recovery Act, as amended, 42 U.S.C. Section 6901 et seq.; (c) any substance or material defined as a "hazardous substance" pursuant to Section 101 of the Comprehensive Environmental Response, Compensation and Liability Act, as amended, 42 U.S.C. Section 9601 et seq.; or (d) petroleum, petroleum products and petroleum waste materials.

"HEDGING AGREEMENTS" means, collectively, interest rate protection agreements, foreign currency exchange agreements, commodity purchase or option agreements or other interest or exchange rate or commodity price hedging agreements, in each case, entered into or purchased by Borrower.

"INCLUDED INVESTOR" means an Investor (other than a Defaulting Investor): (a)(i) that has, or that has a Credit Provider that has, met the Applicable Requirement; or (ii) that has not met the Applicable Requirement but that is approved by all Lenders in their sole discretion as an Included Investor, as evidenced in writing

executed by Administrative Agent from time to time; and (b) that has delivered to Administrative Agent the information and documents required under SECTION 10.5(c); provided that a Defaulting Investor shall no longer be an Included Investor until such time as all Exclusion Events affecting such Investor have been cured and such Investor shall have been approved as an Included Investor in the sole and absolute discretion of Administrative Agent, the Letter of Credit Issuer, and all of the Lenders.

"INDEBTEDNESS" of any Person means, without duplication: (a) all obligations of such Person for borrowed money; (b) all obligations of such Person evidenced by bonds, debentures, notes or similar instruments, or upon which interest payments are customarily made; (c) all obligations of such Person under conditional sale or other title retention agreements relating to property purchased by such Person to the extent of the value of such property (other than customary reservations or retentions of title under agreements with suppliers entered into in the ordinary course of business); (d) all obligations, other than intercompany items, of such Person issued or assumed as the deferred purchase price of property or services purchased by such Person which would appear as liabilities on an unconsolidated balance sheet of such Person; (e) all Indebtedness of others secured by (or for which the holder of such Indebtedness has an existing right, contingent or otherwise, to be secured by) any Lien on, or payable out of the proceeds of production from, property owned or acquired by such Person, whether or not the obligations secured thereby have been assumed; (f) all Guaranty Obligations of such Person; (g) the principal portion of all obligations of such Person under: (i) Capital Leases; and (ii) any synthetic lease, tax retention operating lease, off-balance sheet loan or similar off-balance sheet financing product of such Person where such transaction is considered borrowed money indebtedness for tax purposes but is classified as an operating lease in accordance with GAAP; (h) all obligations of such Person to repurchase any securities which repurchase obligation is related to the issuance thereof, including, without limitation, obligations commonly known as residual equity appreciation potential shares; (i) all net obligations of such Person in respect of Hedging Agreements; (j) the maximum amount of all performance and standby letters of credit issued or bankers' acceptances facilities created for the account of such Person and, without duplication, all drafts drawn thereunder (to the extent unreimbursed); and (k) the aggregate amount of uncollected accounts receivable of such Person subject at such time to a sale of receivables (or similar transaction) regardless of whether such transaction is effected without recourse to such Person or in a manner that would not be reflected on the balance sheet of such Person in accordance with GAAP. The Indebtedness of any Person shall include the Indebtedness of any partnership or unincorporated joint venture for which such Person is legally obligated.

"INDEMNITEE" is defined in SECTION 13.5(b) hereof.

"INTEREST OPTION" means the Adjusted LIBOR Rate and the Reference Rate.

"INTEREST PAYMENT DATE" means: (a) as to any Reference Rate Loan, the first Business Day of each month for interest due through the last day of the preceding month, commencing on the first of such days to occur after such Reference Rate Loan is made or after any LIBOR Loan is converted to a Reference Rate Loan, or such earlier date as such Reference Rate Loan shall mature, by acceleration or otherwise, and on any Conversion Date; (b) as to any LIBOR Loan, the last day of such Interest Period, or such earlier date as such LIBOR Loan shall mature, by acceleration or otherwise; and (c) as to any Loan, the date of any prepayment made hereunder, as to the amount prepaid.

"INTEREST PERIOD" means, with respect to any LIBOR Loan, a period commencing:

(a) on the borrowing date of such LIBOR Loan; or

(b) on the termination date of the immediately preceding Interest Period in the case of a Rollover to a successive Interest Period as described in SECTION 2.3 hereof,

and ending one, two, or three months thereafter, or one week thereafter, each as Borrower or a Qualified Borrower shall elect in accordance with SECTION 2.3 hereof; provided, further, however, that:

(i) any Interest Period that would otherwise end on a day that is not a LIBOR Banking Day shall be extended to the next succeeding LIBOR Banking Day UNLESS such LIBOR Banking Day falls in another calendar month, in which case such Interest Period shall end on the next preceding LIBOR Banking Day;

(ii) any Interest Period which begins on the last LIBOR Banking Day of a calendar month (or on a day for which there is no numerically corresponding day in the calendar month at the end of such Interest Period) shall, subject to clause (i) above, end on the last LIBOR Banking Day of a calendar month; and

(iii) if the Interest Period would otherwise end after the Stated Maturity Date, such Interest Period shall end on the Stated Maturity Date.

"INTERNAL REVENUE CODE" means the United States Internal Revenue Code of 1986, as amended.

"INITIAL LENDERS" is defined in the recital of parties to this Credit Agreement.

"INVESTOR" means a Partner of Borrower or a Shareholder of Guarantor, as applicable.

"INVESTOR LETTER" means a letter substantially in the form of EXHIBIT K executed by an Investor and delivered to Administrative Agent.

"INVESTOR OPINION" means a written opinion (addressed to Administrative Agent, the Letter of Credit Issuer, and the Lenders) of counsel to an Investor, substantially in the form of EXHIBIT L and otherwise acceptable to Administrative Agent, and covering such other matters relating to the Investor, the Loan Documents, the Investor's Constituent Documents, or the transactions contemplated hereby as the Administrative Agent or Required Lenders may reasonably request.

"INVESTOR REIT" is defined in the first paragraph hereof.

"INVESTOR REIT OBLIGATION" means all obligations, liabilities and Indebtedness of every nature of the Investor REIT from time to time owing to Administrative Agent, the Letter of Credit Issuer, or any Lender, under or in connection with this Credit Agreement or any other Loan Document, including, without limitation, the obligations and liabilities of Investor REIT, as the Guarantor, under the Guaranty.

"LENDER DEFAULT" is defined in SECTION 13.12 hereof.

"LENDERS" means the Initial Lenders and each of the other lending institutions that shall become a Lender hereunder pursuant to SECTION 13.11(c) hereof.

"LETTER OF CREDIT" means any letter of credit issued by the Letter of Credit Issuer pursuant to SECTION 2.8 hereof either as originally issued or as the same may, from time to time, be amended or otherwise modified or extended.

"LETTER OF CREDIT ISSUER" means Bank of America, or any Lender or Affiliate of such Lender so designated, and which accepts such designation, by Administrative Agent and approved by Borrower.

"LETTER OF CREDIT LIABILITY" means the aggregate amount of the undrawn stated amount of all outstanding Letters of Credit plus the amount drawn under Letters of Credit for which the Letter of Credit Issuer and Lenders, or any one or more of them, have not yet received payment or reimbursement (in the form of a conversion of such liability to Loans, or otherwise) as required pursuant to SECTION 2.8 hereof.

"LETTER OF CREDIT SUBLIMIT" means twenty percent (20%) of the Available Commitment.

"LIBOR BANKING DAY" means a day other than a Saturday or a Sunday, and on which Administrative Agent is open for business in California, New York, and London, and dealing in offshore Dollars, or, if Administrative Agent does not have an office dealing with offshore Dollars in such locations, then in such location as Administrative Agent does have such an office.

"LIBOR CONVERSION DATE" is defined in SECTION 2.3(d) hereof.

"LIBOR LOAN" means a Loan made hereunder with respect to which the interest rate is calculated by reference to the LIBOR Rate for a particular Interest Period.

"LIBOR RATE" means, with respect to any LIBOR Loan for any Interest Period, the rate per annum (rounded upwards, if necessary, to the nearest 1/100 of 1%) appearing on Telerate Page 3750 as the London interbank offered rate for deposits in Dollars with respect to such Interest Period at approximately 11:00 a.m. (London time) on the date two (2) LIBOR Banking Days prior to the date such rate shall apply. If for any reason such rate is not available, the "LIBOR RATE" shall be the rate per annum (rounded upwards, if necessary, to the nearest 1/100 of 1%) appearing on Reuters Screen LIBO Page as the London interbank offered rate for deposits in Dollars with respect to such Interest Period at approximately 11:00 a.m. (London time) on the date two (2) LIBOR Banking Days prior to the date such rate shall apply; provided, however, if more than one rate is specified on Reuters Screen LIBO Page, the applicable rate shall be the arithmetic mean of all such rates (rounded upwards, if necessary, to the nearest 1/100 of 1%).

"LIBOR RESERVE REQUIREMENT" means, at any time, the maximum rate at which reserves (including, without limitation, any marginal, special, supplemental, or emergency reserves) are required to be maintained under regulations issued from time to time by the Board of Governors of the Federal Reserve System (or any successor) by member banks of the Federal Reserve System against "Eurocurrency liabilities" (as such term is used in Regulation D). Without limiting the effect of the foregoing, the LIBOR Reserve Requirement

shall reflect any other reserves required to be maintained by such member banks with respect to: (a) any category of liabilities which includes deposits by reference to which the Adjusted LIBOR Rate is to be determined; or (b) any category of extensions of credit or other assets which include LIBOR Loans. The LIBOR Rate shall be adjusted automatically on and as of the effective date of any change in the LIBOR Reserve Requirement. Each determination by Administrative Agent of the LIBOR Reserve Requirement shall, in the absence of manifest error, be conclusive and binding.

"LIEN" means any lien, mortgage, security interest, tax lien, pledge, encumbrance, or conditional sale or title retention arrangement, or any other interest in property designed to secure the repayment of indebtedness, whether arising by agreement or under any statute or law, or otherwise.

"LOAN DOCUMENTS" means this Credit Agreement, the Notes (including any renewals, extensions, re-issuances and refundings thereof), each Application and Agreement for Letter of Credit, each of the Collateral Documents, each Borrower Guaranty and such other agreements and documents, and any amendments or supplements thereto or modifications thereof, executed or delivered pursuant to the terms of this Credit Agreement or any of the other Loan Documents and any additional documents delivered in connection with any such amendment, supplement or modification.

"LOANS" means the group of LIBOR Loans and Reference Rate Loans made by Lenders to Borrower or Qualified Borrowers pursuant to the terms and conditions of this Credit Agreement.

"MATERIAL ADVERSE EFFECT" means any circumstances or events which could reasonably be expected to: (a) have any adverse effect whatsoever upon the validity, performance, or enforceability of any of the Loan Documents executed by Borrower, General Partner, Guarantor, or any Qualified Borrower; (b) materially impair the ability of Borrower or Guarantor, or both, to fulfill their respective obligations under the Loan Documents; (c) cause an Event of Default; or (d) impair, impede, or jeopardize the obligation and the liability of Borrower or its General Partner to fulfill its obligations under the Partnership Agreement, or of Guarantor to fulfill its obligations under the Subscription Agreements or the Articles of Incorporation.

"MATURITY DATE" means the earliest of: (a) the Stated Maturity Date; (b) the date upon which Administrative Agent declares the Obligation due and payable after the occurrence of an Event of Default; and (c) the date upon which Borrower terminates the Commitments pursuant to SECTION 3.6 hereof or otherwise.

"MAXIMUM COMMITMENT" means $150,000,000, as it may be reduced by Borrower pursuant to SECTION 3.6.

"MAXIMUM RATE" means, on any day, the highest rate of interest (if any) permitted by applicable law on such day.

"MOODY'S" means Moody's Investors Service, Inc.

"NOTES" means the promissory notes provided for in SECTION 3.1 hereof, and all promissory notes delivered in substitution or exchange therefor, as such notes may be amended, restated, reissued, extended or modified, and the Qualified Borrower Notes; and "NOTE" means any one of the Notes.

"OBLIGATION" means all present and future indebtedness, obligations, and liabilities of Borrower and each Qualified Borrower to Lenders, and all renewals and extensions thereof (including, without limitations, Loans, Letters of Credit Liability, or both), or any part thereof, arising pursuant to this Credit Agreement (including, without limitation, the indemnity provisions hereof) or represented by the Notes, each Application and Agreement for Letter of Credit and each Borrower Guaranty, and all interest accruing thereon, and attorneys' fees incurred in the enforcement or collection thereof, regardless of whether such indebtedness, obligations, and liabilities are direct, indirect, fixed, contingent, joint, several, or joint and several; together with all indebtedness, obligations, and liabilities of Borrower to Lenders evidenced or arising pursuant to any of the other Loan Documents, and all renewals and extensions thereof, or any part thereof.

"OPERATING COMPANY" means an "operating company" within the meaning of 29 C.F.R. Section 2510.3-101(c) of the regulations of the United States Department of Labor.

"ORIGINAL CREDIT AGREEMENT" is defined in Paragraph C of the Recitals.

"OTHER TAXES" is defined in SECTION 4.6(b) hereof.

"PARTICIPANT" is defined in SECTION 13.11(b) hereof.

"PARTNER" means the General Partner or any one of limited partners of Borrower, and reference to "PARTNERS" shall be to all of such limited partners and the General Partner, collectively.

"PARTNERSHIP AGREEMENT" means that certain Amended and Restated Agreement of Limited Partnership of Borrower dated as of June 28, 2001, as it has been and may be restated, modified, amended or further supplemented from time to time.

"PARTNERSHIP DOCUMENTS" means, for any partnership, a true copy of the partnership agreement evidencing the creation of such partnership, with all amendments thereto, certified by the general partner of such partnership as being true, correct and complete, together with: (a) if appropriate, a certificate of limited partnership and all amendments thereto currently certified by the applicable authority for the state of organization; (b) if appropriate, a current certificate of existence and good standing of such partnership issued by the applicable authority for the state of organization; and (c) if appropriate, a current certificate of qualification and good standing (or other similar instruments) from the appropriate authority of each state in which it must be qualified to do business.

"PARTNERSHIP EXPENSE" is defined in the Partnership Agreement.

"PARTNERSHIP INTEREST" of any Partner means the "Percentage Interest" of such Partner in Borrower, as defined in the Partnership Agreement.

"PARTY-IN-INTEREST LENDER" means: (a) with respect to an ERISA Investor, any Lender that would be a "party-in-interest" of such Investor within the meaning of Section 3(14) of ERISA, or a "disqualified person," with respect to such Investor within the meaning of Section 4975(e) of the Internal Revenue Code; and (b) with respect to a Investor that is an insurance company that is investing assets of a Covered Plan in Borrower, any Lender that would be a "party-in-interest" (within the meaning of Section 3(14) of ERISA)

of any such Covered Plan, or a "disqualified person" (within the meaning of Section 4975(e) of the Internal Revenue Code) with respect to such Covered Plan.

"PENDING CAPITAL CALL" means any Capital Call that has been made upon the Investors and that has not yet been funded by the applicable Investor, but with respect to which such Investor is not in default.

"PERSON" means an individual, sole proprietorship, joint venture, association, trust, estate, business trust, corporation, nonprofit corporation, partnership, sovereign government or agency, instrumentality, or political subdivision thereof, or any similar entity or organization.

"PLAN" means any plan, including single employer and multi-employer plans to which Section 4021(a) of ERISA applies, or any retirement medical plan, each as established or maintained for employees of Borrower or any member of the Controlled Group to which Section 4021(a) of ERISA applies.

"PLEDGE AGREEMENT" means the Pledge and Security Agreement (Interest in Fund), substantially in the form of Exhibit M, between Guarantor and the Administrative Agent.

"PLEDGE AND SECURITY AGREEMENT" means a Subscription Agreement Pledge and Security Agreement, substantially in the form of EXHIBIT N.

"POTENTIAL DEFAULT" means any condition, act, or event which, with the giving of notice or lapse of time or both, would become an Event of Default.

"PRIME RATE" means, on any day, the rate of interest per annum then most recently established and announced by Administrative Agent as its "prime rate." Any such rate is a general reference rate of interest, may not be related to any other rate, and may not be the lowest or best rate actually charged by Administrative Agent to any customer or a favored rate. Such rate may not correspond with future increases or decreases in interest rates charged by other lenders or market rates in general, and Administrative Agent may make various business or other loans at rates of interest having no relationship to such rate. If Administrative Agent ceases to exist or to establish or publish a prime rate from which the Prime Rate is then determined, the applicable variable rate from which the Prime Rate is determined thereafter shall be instead the prime rate reported in the Wall Street Journal (or the average prime rate if a high and low prime rate are therein reported), and the Prime Rate shall change without notice with each change in such prime rate as of the date such change is reported. If the Wall Street Journal does not or ceases to report such a prime rate, the Prime Rate shall thereafter be determined by such alternate method as may be reasonably selected by Administrative Agent.

"PRINCIPAL OBLIGATION" means the sum of: (a) the aggregate outstanding principal amount of the Loans; plus (b) the Letter of Credit Liability.

"PROPERTY" is defined in the Partnership Agreement.

"PRO RATA SHARE" means, with respect to each Lender, the percentage obtained from the fraction: (a) (i) the numerator of which is the Commitment of such Lender; and (ii) the denominator of which is the aggregate Commitments of all Lenders; or (b) in the event the Commitments are zero (0): (i) the numerator of which

is the Obligation outstanding with respect to such Lender; and (ii) the denominator of which is the total Obligation outstanding.

"QUALIFIED BORROWER" means any entity, which entity may be organized in the United States or outside of the United States, in which Borrower owns a direct or indirect ownership interest, the indebtedness of which entity can be guaranteed by Borrower pursuant to the terms of the Partnership Agreement, and which entity has executed a Qualified Borrower Note and in respect of which entity Borrower has executed a Borrower Guaranty.

"QUALIFIED BORROWER LETTER OF CREDIT NOTE" means a letter of credit note executed and delivered by a Qualified Borrower, in the form of EXHIBIT G attached hereto, the payment of which is guaranteed by Borrower pursuant to Borrower Guaranties, as such note may be amended, restated, reissued, extended or modified.

"QUALIFIED BORROWER NOTES" means the Qualified Borrower Promissory Notes and the Qualified Borrower Letter of Credit Notes, and "QUALIFIED BORROWER NOTE" means any one of them, as such note may be amended, restated, reissued, extended or modified.

"QUALIFIED BORROWER PROMISSORY NOTE" means a promissory note executed and delivered by a Qualified Borrower, in the form of EXHIBIT F attached hereto, the payment of which is guaranteed by Borrower pursuant to Borrower Guaranties.

"RECOURSE DEBT LIMITATIONS" means the limitations set forth in SECTION 10.11 hereof.

"RATED INVESTOR" means any Investor that has a Rating (or that has a Credit

Provider, Sponsor, or Responsible Party that has a Rating).

"RATING" means, for any Person, its senior unsecured debt rating (or equivalent thereof, such as, but not limited to, a corporate credit rating, issuer rating/insurance financial strength rating (for an insurance company), general obligation rating (for a governmental entity), or revenue bond rating (for a educational institution)) from either of S&P or Moody's.

"REFERENCE RATE" means, on any date, the greater of: (a) the Prime Rate; or (b) the Federal Funds Rate plus fifty basis points (0.50%) per annum. Each change in the Reference Rate shall become effective without prior notice to Borrower automatically as of the opening of business on the day of such change in the Reference Rate.

"REFERENCE RATE CONVERSION DATE" is defined in SECTION 2.3(d).

"REFERENCE RATE LOAN" means a Loan made hereunder with respect to which the interest rate is calculated by reference to the Reference Rate.

"REGISTER" is defined in SECTION 13.11(e) hereof.

"REGULATION D," "REGULATION T," "REGULATION U," and "REGULATION X" means Regulation D, T, U, or X, as the case may be, of the Board of Governors of the Federal Reserve System, from time to time in effect, and shall include any successor or other regulation relating to reserve requirements applicable to partner banks of the Federal Reserve System.

"RELEASE" means any release, spill, emission, leaking, pumping, injection, deposit, disposal, discharge, dispersal, leaching, or migration of Hazardous Materials into the environment, or into or out of any Property, including the movement of any Hazardous Material through or in the air, soil, surface water, groundwater, of any Property.

"REMAINING CAPITAL COMMITMENT" means, with respect to any Investor at any time: (a) such Investor's Capital Commitment at such time (excluding any Capital Commitment subject to a Pending Capital Call); minus (b) such Investor's aggregate Capital Contributions made prior to such time.

"REQUEST FOR BORROWING" is defined in SECTION 2.3 hereof.

"REQUEST FOR LETTER OF CREDIT" is defined in SECTION 2.8(b) hereof.

"REQUIRED LENDERS" means, at any time: (a) Lenders holding an aggregate Pro Rata Share of greater than sixty-six and two-thirds percent (66-2/3%) of the Commitments; or (b) at any time that the Lender Commitments are zero (0), Lenders owed an aggregate Pro Rata Share of greater than sixty-six and two-thirds percent (66-2/3%) of the Obligation outstanding at such time.

"RESPONSIBLE OFFICER" means: (a) in the case of a corporation, its president or any vice president, and, in any case where two Responsible Officers are acting on behalf of such corporation, the second such Responsible Officer may be a secretary or assistant secretary; (b) in the case of a limited partnership, the Responsible Officer of the general partner, acting on behalf of such general partner in its capacity as general partner; and (c) in the case of a limited liability company, the Responsible Officer of the managing member, acting on behalf of such managing member in its capacity as managing member.

"RESPONSIBLE PARTY" means, for any Governmental Plan Investor: (a) if the state under which the Governmental Plan Investor operates is obligated to fund the Governmental Plan Investor and is liable to fund any shortfalls, the state; and (b) otherwise, the Governmental Plan Investor itself.

"ROLLOVER" means the renewal of any LIBOR Loan upon the expiration of the Interest Period with respect thereto, pursuant to SECTION 2.3 hereof.

"ROLLOVER NOTICE" is defined in SECTION 2.3(c) hereof.

"S&P" means Standard & Poor's Rating Services, a division of the McGraw & Hill Companies, Inc.

"SECURITIES EXCHANGE ACT" means the Securities Exchange Act of 1934, as amended to the date hereof and from time to time hereafter, and any successor statute.

"SHAREHOLDER" means a holder of shares of the Capital Stock of Guarantor.

"SPONSOR" of an ERISA Investor means a sponsor as that term is understood under ERISA, specifically, the entity that established the plan and is responsible for the maintenance of the plan and, in the case of a plan that has a sponsor and participating employers, the entity that has the ability to amend or terminate

the plan.

"STATED MATURITY DATE" means August 23, 2003.

"SUBSCRIPTION ACCOUNT" means, collectively, the Borrower Subscription Account and the Guarantor Subscription Account.

"SUBSCRIPTION AGREEMENT" means a Subscription Agreement executed by a Shareholder in connection with the subscription for Capital Stock in Guarantor, or by a Partner in connection with the subscription for a partnership interest in Borrower.

"SUBSEQUENT INVESTOR" is defined in SECTION 10.5(c) hereof.

"SYNDICATION AGENT" is defined in the preamble to this Credit Agreement.

"TAXES" is defined in SECTION 4.6(a) hereof.

"TELERATE PAGE 3750" means the display designated as "Page 3750" on the Bridge Telerate Capital Markets Report (or such other page as may replace Page 3750 on the Bridge Telerate Capital Markets Report or such other service as may be nominated by the British Bankers' Association as the information vendor for the purpose of displaying British Bankers' Association interest settlement rates for U.S. Dollar deposits). Any LIBOR Rate determined on the basis of the rate displayed on Telerate Page 3750 in accordance with the provisions hereof shall be subject to corrections, if any, made in such rate and displayed by the Bridge Telerate Capital Markets Report within one hour of the time when such rate is first displayed by such Service.

"TYPE OF LOAN" means any type of Loan (i.e., a Reference Rate Loan or LIBOR Loan).

1.2 OTHER DEFINITIONAL PROVISIONS.

(a) All terms defined in this Credit Agreement shall have the above-defined meanings when used in the Notes or any other Loan Documents or any certificate, report or other document made or delivered pursuant to this Credit Agreement, unless otherwise defined in such other document.

(b) Defined terms used in the singular shall import the plural and vice versa.

(c) The words "hereof," "herein," "hereunder," and similar terms when used in this Credit Agreement shall refer to this Credit Agreement as a whole and not to any particular provisions of this Credit Agreement.

SECTION 2. REVOLVING CREDIT LOAN AND LETTERS OF CREDIT

2.1 THE COMMITMENT.

(a) COMMITTED AMOUNT. Subject to the terms and conditions herein set forth, Lenders agree, during the Commitment Period: (i) to extend to Borrower or any Qualified Borrower a revolving line of credit; and (ii) to participate in Letters of Credit issued by the Letter of Credit Issuer for the account of Borrower or any Qualified Borrower.

(b) LIMITATION ON BORROWINGS AND RE-BORROWINGS. Notwithstanding anything to the contrary herein contained, Lenders shall not be required to advance any Borrowing, Rollover, or cause the issuance of any Letter of Credit hereunder if:

(i) after giving effect to such Borrowing, Rollover, or issuance of such Letter of Credit: (A) the Principal Obligation would exceed the Available Commitment; or (B) the Letter of Credit Liability would exceed the Letter of Credit Sublimit;

(ii) The limited partners of Borrower have given notice, under Section 11.2 of the Partnership Agreement or otherwise, of their intent to remove the General Partner as the general partner of Borrower; or

(iii) an Event of Default or, to Borrower's knowledge, a Potential Default exists.

Conversions to Reference Rate Loans shall be permitted in the case of CLAUSES (ii) or (iii) above, unless Administrative Agent has otherwise accelerated the Obligation or exercised other rights that terminate the Commitments under SECTION 11.2 hereof.

(c) EXCLUSION EVENTS. If any of the following events (each, an

"EXCLUSION EVENT") shall occur with respect to any Included Investor or, if applicable, the Sponsor, Responsible Party, or Credit Provider of such Included Investor (such Investor hereinafter referred to as a "DEFAULTING INVESTOR"), then such Investor shall no longer be an Included Investor:

(i) it shall: (A) apply for or consent to the appointment of a receiver, trustee, custodian, intervenor, or liquidator of itself or of all or a substantial part of its assets; (B) file a voluntary petition as debtor in bankruptcy or admit in writing that it is unable to pay its debts as they become due; (C) make a general assignment for the benefit of creditors; (D) file a petition or answer seeking reorganization or an arrangement with creditors or take advantage of any Debtor Relief Laws; (E) file an answer admitting the material allegations of, or consent to, or default in answering, a petition filed against it in any bankruptcy, reorganization, or insolvency proceeding; or (F) take personal, partnership, limited liability company, corporate or trust action, as applicable, for the purpose of effecting any of the foregoing;

(ii) an order, order for relief, judgment, or decree shall be entered by any court of competent jurisdiction or other competent authority approving a petition seeking such

Person's reorganization or appointing a receiver, custodian, trustee, intervenor, or liquidator of such Person or of all or substantially all of its assets, and such order, judgment, or decree shall continue unstayed and in effect for a period of sixty (60) days;

(iii) any final judgment(s) for the payment of money which in the aggregate exceed fifteen percent (15%) of its net worth shall be rendered against such Person, and such judgment or judgments shall not be satisfied or discharged at least ten (10) days prior to the date on which any of its assets could be lawfully sold to satisfy such judgment;

(iv) such Investor shall repudiate, challenge, or declare unenforceable its obligation to make contributions to the capital of Borrower or Guarantor pursuant to its Capital Commitment or a Capital Call Notice, or shall otherwise disaffirm any material provision of its Subscription Agreement, the Articles of Incorporation, or the Partnership Agreement relating to Capital Contributions;

(v) such Investor shall fail to make a contribution to the capital of Borrower or Guarantor when required pursuant to a Capital Call Notice, subject to any applicable notice or cure periods, or shall otherwise be in default under its Subscription Agreement, the Articles of Incorporation, or the Partnership Agreement, following any applicable notice requirements or cure periods;

(vi) any representation or warranty made under any Loan Documents executed by such Person shall prove to be untrue or inaccurate in any material respect, as of the date on which such representation or warranty is made, and such Person shall fail to cure the adverse effect of the failure of such representation or warranty within thirty (30) days after written notice thereof is delivered by Administrative Agent to Borrower and to such Investor;

(vii) such Investor shall transfer its Partnership Interest in Borrower, or its Capital Stock in Guarantor, in violation of this Credit Agreement;

(viii) default shall occur in the performance by it of any of the covenants or agreements contained in any of the Loan Documents executed by it (except as otherwise specifically addressed in this SECTION 2.1(c), in which case no grace period beyond any provided for herein shall apply) and such default shall continue uncured to the satisfaction of Administrative Agent for a period of thirty (30) days after written notice thereof has been given by Administrative Agent to Borrower and to such Investor;

(ix) in the case of each Rated Investor, it shall fail to maintain the Applicable Requirement for such Investor required in the definition of Applicable Requirement in SECTION 1 hereof;

(x) in the case of an Investor that is not a Rated

Investor, the occurrence of any circumstance or event which, in the reasonable discretion of Administrative Agent: (A) is determined to be material and adverse to the financial condition or business operations of such Investor; (B) could reasonably be expected to materially impair the ability of such

Investor to fulfill its obligations under the Loan Documents executed by it; or (C) could reasonably be expected to impair, impede, or jeopardize the obligation and the liability of such Investor to fulfill its obligations under its Subscription Agreement, the Articles of Incorporation, or the Partnership Agreement; or

(xi) such Investor shall fail, within ten (10) days after the required date set forth in the Investor Letter, to deliver the financial information to Borrower or Guarantor, required by such Investor's Investor Letter, in accordance with the terms thereof.

(d) MANDATORY PREPAYMENT.

(i) EXCESS LOANS OUTSTANDING. If, on any day, the Principal Obligation exceeds the Available Commitment, then the Credit Parties shall pay on demand such excess to Administrative Agent, for the benefit of Lenders, in immediately available funds (except to the extent any such excess is addressed by SECTION 2.1(d)(ii)): (A) promptly on demand (but in no event later than two (2) Business Days), to the extent such funds are available in the Subscription Account or any other account maintained by Credit Parties; and (B) within ten (10) Business Days of demand to the extent that it is necessary for a Credit Party to issue a Capital Call Notice to fund such required payment (and Credit Parties shall issue such Capital Call Notices during such time, and shall pay such excess immediately after the Capital Contributions relating to such Capital Call Notice are received); provided that the amount of such excess shall be paid to Administrative Agent concurrently with the creation of such excess if it results from any willful act of any Credit Party;

(ii) EXCESS LETTERS OF CREDIT OUTSTANDING. If any excess calculated pursuant to SECTION 2.1(d)(i) is attributable to undrawn Letters of Credit, Credit Parties (or the applicable Qualified Borrower) shall pay such excess to Administrative Agent, when required pursuant to the terms of SECTION 2.1(d)(i) for deposit in a segregated interest-bearing cash collateral account, as security for such portion of the Obligation. Unless otherwise required by law, upon: (i) a change in circumstances such that the Principal Obligation no longer exceeds the Available Commitment; or (ii) the full and final payment of the Obligation, Administrative Agent shall return to Credit Parties or the applicable Qualified Borrower any amounts remaining in said cash collateral account.

2.2 REVOLVING CREDIT COMMITMENT. Subject to the terms and conditions herein set forth, each Lender severally agrees, during the Commitment Period, to make Loans to Borrower or any Qualified Borrower at any time and from time to time in an aggregate principal amount up to such Lender's Commitment at any such time; provided, however, that, after making such Loans: (a) such Lender's Pro Rata Share of the Principal Obligation would not exceed such Lender's Commitment; and (b) the Principal Obligation would not exceed the Available Commitment. Subject to the foregoing limitation, Borrower or any Qualified Borrower may borrow, repay without penalty or premium, and re-borrow hereunder, during the Commitment Period. Each Borrowing pursuant to this SECTION 2.2 shall be made ratably by Lenders in proportion to such Lender's Pro Rata Share of the Available Commitment. No Lender shall be obligated to fund any Loan if the interest rate applicable thereto under SECTION 2.6(a) hereof would exceed the Maximum Rate in effect with respect to such Loan.

2.3 MANNER OF BORROWING. Borrower shall give Administrative Agent notice of the date of each requested Borrowing hereunder, which notice may be by telephone, if confirmed in writing, telex, facsimile, or other written communication (a "REQUEST FOR BORROWING"), and which notice shall be irrevocable and effective upon receipt by Administrative Agent. Each Request for Borrowing shall be furnished to Administrative Agent, no later than 11:00 a.m. (San Francisco time): (a) at least three (3) LIBOR Banking Days prior to the requested date of the funding of a LIBOR Loan; and (b) at least one (1) Business Day prior to the requested date of the funding of a Reference Rate Loan; and must specify: (i) the amount of such Borrowing; (ii) whether such Borrowing shall be a LIBOR Loan or a Reference Rate Loan; and (iii) the Interest Period

therefor in the case of a LIBOR Loan; and (iv) the name of the applicable Qualified Borrower, if any. Any Request for Borrowing received by Administrative Agent after 11:00 a.m. (San Francisco time) shall be deemed to have been given by Borrower on the next succeeding LIBOR Banking Day, in the case of a LIBOR Loan, or the next succeeding Business Day, in the case of a Reference Rate Loan.

(a) REQUEST FOR BORROWING. Each Request for Borrowing shall be in the form attached hereto as EXHIBIT C (with blanks appropriately completed in conformity herewith) and shall be deemed to constitute a representation and warranty by Borrower that:

(i) The representations and warranties set forth in Section 8 hereof are true and correct in all material respects on and as of the date of such Request for Borrowing, with the same force and effect as if made on and as of such date (except to the extent of changes in facts or circumstances that have been disclosed to Lenders and do not constitute an Event of Default or a Potential Default under this Credit Agreement or any other Loan Document);

(ii) No Event of Default or, to its knowledge, Potential Default exists and is continuing at such date; and

(iii) After giving effect to such Borrowing the Principal Obligation will not exceed the Available Commitment as of such date.

Each Request for Borrowing shall be irrevocable and binding on Borrower and the applicable Qualified Borrower, and Borrower and, if applicable, the Qualified Borrower, shall indemnify Lenders against any cost, loss, or expense incurred by Lenders, or any of them, as a result of any failure to fulfill, on or before the date specified in the Request for Borrowing, the conditions to such Borrowing set forth herein, including, without limitation, any cost, loss, or expense incurred by reason of the liquidation or redeployment of the deposits or other funds acquired by Lenders, or any of them, to fund the Borrowing to be made by Lenders as a part of such Borrowing when such Borrowing, as a result of such failure, is not made on such date. A certificate of Administrative Agent setting forth the amount of any such cost, loss or expense, and the basis for the determination thereof and the calculation thereof, shall be delivered to Borrower and the applicable Qualified Borrower and shall, in the absence of a manifest error, be conclusive and binding. Notwithstanding any provision to the contrary contained in this SECTION 2.3, Borrower and the applicable Qualified Borrower, shall not be required to indemnify Lenders against any costs, loss or expenses incurred by Lenders, or any of them, as a result of the liquidation or redeployment of funds due to Borrower's failure to fulfill, on or

before the date specified for a Reference Rate Borrowing, the conditions to such Borrowing set forth herein.

(b) REQUEST FOR CURRENT RATES. Prior to making a Request for Borrowing, Borrower may (without specifying whether the anticipated Borrowing shall be a Reference Rate Loan or LIBOR Loan) request that Administrative Agent provide it with the most recent Reference Rate and Adjusted LIBOR Rate available to Lenders. Administrative Agent shall endeavor to provide such quoted rates to Borrower within two (2) Business Days after such request, provided, however, that Administrative Agent's failure to timely provide such rates shall not relieve Borrower or any Qualified Borrower of its obligations hereunder.

(c) ROLLOVERS. No later than 11:00 a.m. (San Francisco time) at least three (3) LIBOR Banking Days prior to the termination of each Interest Period related to a LIBOR Loan, Borrower or any applicable Qualified Borrower shall give Administrative Agent written notice (which notice may be via fax) substantially in the form of EXHIBIT E attached hereto (the "ROLLOVER NOTICE") whether it desires to renew such LIBOR Loan. The Rollover Notice shall also specify the length of the Interest Period selected by Borrower or a Qualified Borrower with respect to such Rollover. Each Rollover Notice shall be irrevocable and effective upon notification thereof to Administrative Agent. If Borrower or a Qualified Borrower fails to timely give Administrative Agent the Rollover Notice with respect to any LIBOR Loan, Borrower or the applicable Qualified Borrower shall be deemed to have elected the Reference Rate as the Interest Option with respect to such Loan commencing on the expiration of the preceding Interest Period.

(d) CONVERSIONS. Borrower or the applicable Qualified Borrower shall have the right, with respect to: (i) any Reference Rate Loan, on any LIBOR Banking Day (a "LIBOR CONVERSION DATE"), to convert such Reference Rate Loan to a LIBOR Loan; and (ii) any LIBOR Loan, on any Business Day (a "REFERENCE RATE CONVERSION DATE") to convert such LIBOR

Loan to a Reference Rate Loan, provided, however, that Borrower shall, on such Reference Rate Conversion Date, make the payments required by SECTION 4.5 hereof; in either case, by giving Administrative Agent written notice substantially in the form of EXHIBIT E attached hereto (a "CONVERSION NOTICE") of such selection no later than 11:00 a.m. (San Francisco time) at least: (1) three (3) LIBOR Banking Days prior to such LIBOR Conversion Date; or (2) one (1) Business Day prior to such Reference Rate Conversion Date. Each Conversion Notice shall be irrevocable and effective upon notification thereof to Administrative Agent.

(e) TRANCHES. Notwithstanding anything to the contrary contained herein, no more than eight (8) LIBOR Loans may be outstanding hereunder at any one time during the Commitment Period.

(f) AGENT NOTIFICATION OF LENDERS. Administrative Agent shall promptly notify each Lender (and will use good faith efforts to make such notification on the day such notice is timely received from Borrower) of receipt of a Request for Borrowing, a Conversion Notice or a Rollover Notice, the amount of the Borrowing and such Lender's Pro Rata Share thereof, the date the Borrowing is to be made, the Interest Option selected, the Interest Period selected, if applicable, and the applicable rate of interest.

2.4 MINIMUM LOAN AMOUNTS. Each LIBOR Rate Loan shall be in an aggregate amount that is an integral multiple of $100,000 and not less than $1,000,000, and each Reference Rate Loan shall be in an aggregate amount that is an integral multiple of $100,000 and not less than $500,000, provided, however, that a Reference Rate Loan may be in an aggregate amount that is equal to the entire unused balance of the total Commitments or that is required to finance the reimbursement of a Letter of Credit under SECTION 2.8(c).

2.5 FUNDING. Each Lender shall make the proceeds of its Pro Rata Share of each Borrowing available to Administrative Agent at the appropriate Funding Account for the account of Borrower or a Qualified Borrower no later than 9:00 a.m. (San Francisco time) on the date specified in the Request for Borrowing as the borrowing date, in immediately available funds, and, upon fulfillment of all applicable conditions set forth herein, Administrative Agent shall deposit such proceeds in immediately available funds in Borrower's or in the applicable Qualified Borrower's account maintained with Administrative Agent not later than 11:00 a.m. (San Francisco time) on the borrowing date or, if requested by Borrower in the Request for Borrowing, shall wire-transfer such funds as requested on or before such time. The failure of any Lender to advance the proceeds of its Pro Rata Share of any Borrowing required to be advanced hereunder shall not relieve any other Lender of its obligation to advance the proceeds of its Pro Rata Share of any Borrowing required to be advanced hereunder. Absent contrary written notice from a Lender, Administrative Agent may assume that each Lender has made its Pro Rata Share of the requested Borrowing available to Administrative Agent on the applicable borrowing date, and Administrative Agent may, in reliance upon such assumption (but is not required to), make available to Borrower or a Qualified Borrower a corresponding amount. If a Lender fails to make its Pro Rata Share of any requested Borrowing available to Administrative Agent on the applicable borrowing date, then Administrative Agent may recover the applicable amount on demand: (a) from such Lender, together with interest at the Federal Funds Rate for the period commencing on the date the amount was made available to Borrower by Administrative Agent and ending on (but excluding) the date Administrative Agent recovers the amount from such Lender; or (b) if Lender fails to pay its amount upon Administrative Agent's demand, then from Borrower; (i) promptly on demand, to the extent such funds are available in the Subscription Account or any other account maintained by Borrower; and (ii) otherwise, to the extent that it is necessary for Borrower to issue a Capital Call Notice to fund such required payment, within fifteen (15) Business Days after Administrative Agent's demand (but, in any event, Borrower shall issue such Capital Call Notice and shall make such payment promptly after the related Capital Contributions are received); together with interest at a rate per annum equal to the rate applicable to the requested Borrowing for the period commencing on the borrowing date and ending on (but excluding) the date Administrative Agent recovers the amount from Borrower. The liabilities and obligations of each Lender hereunder shall be several and not joint, and neither Administrative Agent nor any Lender shall be responsible for the performance by any other Lender of its obligations hereunder. Each Lender hereunder shall be liable to Borrower and any Qualified Borrower only for the amount of its respective Commitment.

2.6 INTEREST RATE.

(a) RATE. The unpaid principal of each Reference Rate Loan shall bear interest at a rate per annum which shall from day to day be equal to the Reference Rate in effect from day to day. The unpaid principal of each LIBOR Loan shall bear interest at a rate per annum which shall be equal to the Adjusted LIBOR Rate for the applicable Interest Period.

(b) CHANGE IN RATE; PAST DUE AMOUNTS; CALCULATIONS OF INTEREST. Each change in the rate of interest for any Borrowing shall become effective, without prior notice to Borrower or any Qualified Borrower, automatically as of the opening of business of Administrative Agent on the date of said change. Interest on the unpaid principal balance of each LIBOR Rate Loan shall be calculated on the basis of the actual days elapsed in a year consisting of 360 days, which results in more interest than if a 365-day year was used. Interest on the unpaid principal balance of each Reference Rate Loan shall be calculated on the basis of the actual days elapsed in a year consisting of 365 days, or, if applicable 366 days. If any principal of, or interest on, the Obligation is not paid when due, then (in lieu of the interest rate provided in SECTION 2.6(a) above) such past due principal and interest shall bear interest at the Default Rate, provided, however, if Administrative Agent fails to timely deliver the notice described in SECTION 11.1 hereof to Borrower, the Default Rate will not be applied to such past due principal and interest until four (4) Business Days after such notice is given. If any other Event of Default hereunder shall arise, then (in lieu of the interest rate provided in Section 2.6(a) above) the principal amount of each Loan in effect at such time and the interest thereon shall bear interest at the Default Rate, until such Event of Default is cured or is waived.

2.7 DETERMINATION OF RATE. Administrative Agent shall determine each interest rate applicable to the Borrowings hereunder. Administrative Agent shall give prompt notice to Borrower or the applicable Qualified Borrower and to Lenders of each rate of interest so determined, and its determination thereof shall be conclusive and binding in the absence of manifest error.

2.8 LETTERS OF CREDIT.

(a) LETTER OF CREDIT COMMITMENT. Subject to the terms and conditions hereof, on any Business Day during the Commitment Period, Administrative Agent shall cause the Letter of Credit Issuer to issue such Letters of Credit in such aggregate face amounts in Dollars as Borrower or a Qualified Borrower may request, provided that: (i) on the date of issuance, after giving effect to the issuance of any such Letter of Credit, the Letter of Credit Liability will not exceed the lesser of: (A) the remainder of: (1) the Available Commitment as of such date; minus (2) the Principal Obligation as of such date; and (B) the Letter of Credit Sublimit; (ii) the expiry date of the Letter of Credit shall not be later than twelve months after the date of issuance without the Letter of Credit Issuer's consent; and (iii) the expiry date of the Letter of Credit shall not be later than the Stated Maturity Date.

(b) REQUEST. Each request for a Letter of Credit (a "REQUEST FOR LETTER OF CREDIT") shall be submitted to Administrative Agent in the form attached hereto as EXHIBIT D (with blanks appropriately completed in conformity herewith), together with an Application and Agreement for Letter of Credit, for the Letter of Credit Issuer, on or before 11:00 a.m. (San Francisco time) at least two (2) Business Days prior to the requested date of issuance of a Letter of Credit. Administrative Agent shall promptly notify each Lender of such Request for Letter of Credit and the terms of the requested Letter of Credit. Upon each such application, Borrower or the Qualified Borrower, as applicable, shall be deemed to have automatically made to Administrative Agent, each Lender, and the Letter of Credit Issuer the following representations and warranties:

(i) As of the date of the issuance of the Letter of Credit requested, the representations and warranties set forth in SECTION 8 hereof are true and correct in all material respects on and as of the date of such issuance, with the same force and effect as if made on and as of such date (except to the extent of changes in facts or circumstances that have been disclosed to Lenders and do not constitute an Event of Default or a Potential Default under this Credit Agreement or any other Loan Document);

(ii) No Event of Default or, to its knowledge, Potential Default exists and is continuing at such date; and

(iii) After giving effect to the issuance of the requested Letter of Credit the Letter of Credit Liability will not exceed the lesser of: (A) the remainder of: (1) the Available Commitment as of such date; minus (2) the Principal Obligation as of such date; and (B) the Letter of Credit Sublimit.

(c) PARTICIPATION BY LENDERS. Each Lender shall and does

hereby participate ratably with the Letter of Credit Issuer in each Letter of Credit issued and outstanding hereunder to the extent of its Pro Rata Share of the Letter of Credit Liability with respect to each such Letter of Credit, and shall share in all rights and obligations resulting therefrom, including, without limitation: (i) the right to receive from Administrative Agent its Pro Rata Share of any reimbursement of the amount of each draft drawn under each Letter of Credit; (ii) the right to receive from Administrative Agent its Pro Rata Share of the Letter of Credit fee pursuant to SECTION 2.13 hereof; (iii) the right to receive from Administrative Agent its additional costs pursuant to SECTION 4.1 hereof; and (iv) the obligation to pay to the Administrative Agent or the Letter of Credit Issuer, as the case may be, in immediately available funds, its Pro Rata Share of any unreimbursed drawing under a Letter of Credit.

(d) PAYMENT OF LETTER OF CREDIT. In consideration for the issuance by the Letter of Credit Issuer of the Letters of Credit, Borrower and each Qualified Borrower hereby authorizes, empowers, and directs Administrative Agent, for the benefit of Lenders and the Letter of Credit Issuer, to disburse directly to the Letter of Credit Issuer, with notice to Borrower or the appropriate Qualified Borrower, in immediately available funds an amount equal to the stated amount of each draft drawn under each Letter of Credit plus all interest, reasonable costs and expenses, and fees due to the Letter of Credit Issuer pursuant to the applicable Application and Agreement for Letter of Credit. Subject to receipt of notice from the Administrative Agent, each Lender shall pay to the Administrative Agent such Lender's Pro Rata Share of the amount disbursed by the Administrative Agent on the Business Day on which the Letter of Credit Issuer honors any such draft or incurs or is owed any such interest, costs, expenses or fees. Administrative Agent will promptly notify Borrower or the appropriate Qualified Borrower of any disbursements made by Lenders pursuant to the terms hereof, provided that the failure to give such notice will not affect the validity of the disbursement, and Administrative Agent shall provide Lenders with notice thereof. Any such disbursement made by Lenders to the Letter of Credit Issuer on account of a Letter of Credit shall be deemed to be a Reference Rate Loan, and Borrower or the applicable Qualified Borrower shall be deemed to have given to Administrative Agent, in accordance with the terms and conditions of SECTION 2.3, a Request for Borrowing with respect thereto. Administrative Agent and Lenders may

conclusively rely on the Letter of Credit Issuer as to the amount due the Letter of Credit Issuer by reason of any draft of a Letter of Credit or due the Letter of Credit Issuer under any Application and Agreement for Letter of Credit.

(e) ACCELERATION OF UNDRAWN AMOUNTS. Should Administrative Agent demand payment of the Obligation hereunder prior to the Maturity Date pursuant to SECTION 11.2 hereof, Administrative Agent, by written notice to Borrower, may take one or more of the following actions: (i) declare the obligation of the Letter of Credit Issuer to issue Letters of Credit hereunder terminated, whereupon such obligations shall forthwith terminate without any other notice of any kind; or (ii) declare the outstanding Letter of Credit Liability to be forthwith due and payable, without presentment, demand, protest or any other notice of any kind, all of which are hereby waived, and demand that Borrower and any applicable Qualified Borrower pay to Administrative Agent for deposit in a segregated interest-bearing cash collateral account, as security for the Obligation, an amount equal to the aggregate undrawn stated amount of all Letters of Credit then outstanding at the time such notice is given. Unless otherwise required by law, upon the full and final payment of the Obligation, Administrative Agent shall return to Borrower and the applicable Qualified Borrower any amounts remaining in said cash collateral account.

2.9 PAYMENT OF BORROWER GUARANTY. In consideration of Lenders' agreement to advance funds to a Qualified Borrower pursuant to SECTIONS 2.2 and 2.3 hereof, to cause Letters of Credit to be issued for the account of a Qualified Borrower pursuant to SECTION 2.8 hereof, and to accept Borrower Guaranties in support thereof, Borrower hereby authorizes, empowers, and directs the Administrative Agent, for the benefit of Lenders, within the limits of the Available Commitment, to disburse directly to Lenders, with notice to Borrower, in immediately available funds, an amount equal to the amount due and owing under any Qualified Borrower Note or any Borrower Guaranty, together with all interest, reasonable costs and expenses and fees due to Lenders pursuant thereto in the event Administrative Agent shall have not received payment of such Obligation when due. Administrative Agent will promptly notify Borrower of any disbursement made to Lenders pursuant to the terms hereof, provided that the failure to give such notice shall not affect the validity of the disbursement, and Administrative Agent shall provide Lenders with notice thereof. Any such disbursement made by Administrative Agent to Lenders shall be deemed to be a Reference Rate Loan pursuant to SECTION 2.3 hereof in the amount so paid, and

Borrower shall be deemed to have given to Administrative Agent in accordance with the terms and conditions of SECTION 2.3 a Request for Borrowing with respect thereto. Administrative Agent may conclusively rely on Lenders as to the amount of any such Obligation due to Lenders, absent manifest error.

2.10 USE OF PROCEEDS, LETTERS OF CREDIT AND BORROWER GUARANTIES. The proceeds of the Loans and the Letters of Credit shall be used for the purposes permitted under the Partnership Agreement. Neither Lenders nor Administrative Agent shall have any liability, obligation, or responsibility whatsoever with respect to Borrower's or a Qualified Borrower's use of the proceeds of the Loans, the Letters of Credit or execution and delivery of the Borrower Guaranties, and neither Lenders nor Administrative Agent shall be obligated to determine whether or not Borrower's or a Qualified Borrower's use of the proceeds of the Loans or the Letters of Credit are for purposes permitted under the Partnership Agreement. Nothing, including, without limitation, any Borrowing, any Rollover, any issuance of any Letter of Credit, or acceptance of any Borrower Guaranty or other document or instrument, shall be construed as a representation or warranty,

express or implied, to any party by Lenders or Administrative Agent as to whether any investment by Borrower is permitted by the terms of the Partnership Agreement.

2.11 ADMINISTRATIVE AGENT FEES. Borrower and the Qualified Borrowers shall pay, to Administrative Agent, fees in consideration of the arrangement and administration of the Commitments, which fees shall be payable in amounts and on the dates agreed to between Borrower and Administrative Agent in the Fee Letter.

2.12 UNUSED COMMITMENT FEE. In addition to the payments provided for in SECTION 3 hereof, Borrower shall pay to Administrative Agent, for the account of each Lender, according to its Pro Rata Share, an unused commitment fee on the daily amount of the Maximum Commitment which was unused (through the extension of Loans or issuance of Letters of Credit) during the immediately preceding calendar quarter calculated on the basis of actual days elapsed in a year consisting of 360 days: (a) if such unused amount is more than fifty percent (50%) of the Maximum Commitment, at the rate of seventeen and one-half basis points (0.175%) per annum; and (b) if such unused amount is equal to or less than fifty percent (50%) of the Maximum Commitment, at the rate of fifteen basis points (0.15%) per annum, in each case payable in arrears on the first Business Day of each calendar quarter for the preceding calendar quarter. For purposes of this SECTION 2.12, the fee shall be calculated each time the Principal Obligation or the Maximum Commitment increases or decreases, for the number of days since the last calculation of the fee, as follows:

> (((Maximum Commitment for such period - Principal Obligation for such period) (*) applicable rate [as described above]) (*) number of days in such period) / 360)

Borrower and Lenders acknowledge and agree that the commitment fees payable hereunder are bona fide commitment fees and are intended as reasonable compensation to Lenders for committing to make funds available to Borrower as described herein and for no other purposes.

2.13 LETTER OF CREDIT FEES. Borrower, or the appropriate Qualified Borrower, shall pay to Administrative Agent: (a) for the benefit of Lenders, in consideration for the issuance of Letters of Credit hereunder, a non-refundable per annum fee equal to the Applicable Margin on the face amount of each Letter of Credit, less the amount of any draws on such Letter of Credit, payable in advance in quarterly installments, commencing on the issuance date and continuing for so long as such Letter of Credit remains outstanding; and (b) for the benefit of the Letter of Credit Issuer, in consideration of the issuance and fronting of Letters of Credit, a non-refundable fronting fee equal to 0.125% per annum, which fronting fee shall be calculated on the stated amount of the Letter of Credit, payable at the time each letter of credit is issued.

SECTION 3. PAYMENT OF OBLIGATIONS

3.1 REVOLVING CREDIT NOTES. Any Lender may request that Loans made by it be evidenced by a promissory note. In such event: (a) Borrower shall execute and deliver a promissory note payable to such Lender in the amount of such Lender's Commitment; and (b) any Qualified Borrower that has not previously done so shall execute and deliver a promissory note payable to such Administrative Agent, for the benefit of the Lenders in the principal amount of its related Obligation. Any such note issued by Borrower shall be substantially in the form of EXHIBIT B attached hereto (with blanks appropriately completed in conformity herewith), and any such note issued by a Qualified Borrower shall be substantially in the form of

EXHIBIT F attached hereto (with blanks appropriately completed in conformity

herewith). Borrower agrees, from time to time, upon the request of Administrative Agent or any affected Lender, to reissue new Notes, in accordance with the terms and in the form heretofore provided, to any Lender and any Assignee of such Lender in accordance with SECTION 13.11(c) hereof, in renewal of and substitution for the Notes previously issued by Borrower to the affected Lender, and such previously issued Notes shall be returned to Borrower marked "replaced".

3.2 PAYMENT OF OBLIGATION. The unpaid principal amount of the Obligation, together with all accrued but unpaid interest thereon, shall be due and payable on the Maturity Date.

3.3 PAYMENT OF INTEREST.

(a) INTEREST. Interest on each Borrowing and any portion thereof shall commence to accrue in accordance with the terms of this Credit Agreement and the other Loan Documents as of the date of the disbursal or wire transfer of such Borrowing by Administrative Agent, consistent with the provisions of SECTION 2.5, notwithstanding whether Borrower or a Qualified Borrower received the benefit of such Borrowing as of such date and even if such Borrowing is held in escrow pursuant to the terms of any escrow arrangement or agreement. When a Borrowing is disbursed by wire transfer pursuant to instructions received from Borrower, then such Borrowing shall be considered made at the time of the transmission of the wire, rather than the time of receipt thereof by the receiving bank. With regard to the repayment of the Loans, interest shall continue to accrue on any amount repaid until such time as the repayment has been received in federal or other immediately available funds by Administrative Agent in the appropriate Funding Account.

(b) INTEREST PAYMENT DATES. Accrued and unpaid interest on the Obligation shall be due and payable in arrears on each Interest Payment Date, and on the Maturity Date.

(c) DIRECT DISBURSEMENT. If, at any time, Administrative Agent shall not have received on the date due, any payment of interest upon the Loans or any fee described herein, Administrative Agent may direct the disbursement of funds from the Subscription Account to Lenders to the extent available therein for payment of any such amount. Thereafter, if the amount available in the Subscription Account is not sufficient for the full payment of such amounts due, Administrative Agent may, without prior notice to or the consent of Borrower, within the limits of the Available Commitment, disburse to Lenders in immediately available funds an amount equal to the interest or fee due to Lenders, which disbursement shall be deemed to be a Reference Rate Loan pursuant to SECTION 2.3 hereof, and Borrower shall be deemed to have given to Lenders in accordance with the terms and conditions of SECTION 2.3 a Request for Borrowing with respect thereto. After any disbursement of funds from the Subscription Account to Lenders as contemplated in this SECTION 3.3(c), Administrative Agent shall promptly deliver written notice of such disbursement to Borrower, provided, however, that the failure of Administrative Agent to give such notice will not affect the validity of such disbursement, and Administrative Agent shall provide Lenders with notice thereof.

3.4 PAYMENTS ON THE OBLIGATION. All payments of principal of, and interest on, the Obligation under this Credit Agreement by Borrower and Qualified Borrowers to or for the account of Lenders, or any

of them, shall be made by Borrower and Qualified Borrowers for receipt by Administrative Agent before 11:00 a.m. (San Francisco time) in federal or other immediately available funds to the appropriate Funding Account. Funds received after 11:00 a.m. (San Francisco time) shall be treated for all purposes as having been received by Administrative Agent on the first Business Day next following receipt of such funds. Except as provided in SECTION 13.11 hereof, each Lender shall be entitled to receive its Pro Rata Share of each payment received by Administrative Agent hereunder for the account of Lenders on the Obligation. Each payment received by Administrative Agent hereunder for the account of a Lender shall be promptly distributed by Administrative Agent to such Lender. Administrative Agent and each Lender hereby agree that payments to Administrative Agent by Borrower and Qualified Borrowers of principal of, and interest on, the Obligation by Borrower and Qualified Borrowers to or for the account of Lenders in accordance with the terms of the Credit Agreement, the Notes and the other Loan Documents shall constitute satisfaction of Borrower's and Qualified Borrowers' obligations with respect to any such payments, and Administrative Agent shall indemnify, and each Lender shall hold harmless, Borrower and Qualified Borrowers from any claims asserted by any Lender in connection with Administrative Agent's duty to distribute and apportion such payments to Lenders in accordance with this SECTION 3.4. All payments made on the Obligation shall be credited, to the extent of the amount thereof, in the following manner: (a) first, against all costs, expenses and other fees (including attorneys' fees) arising under the terms hereof; (b) second, against

the amount of interest accrued and unpaid on the Obligation as of the date of such payment; (c) third, against all principal due and owing on the Obligation as of the date of such payment; and (d) fourth, to all other amounts constituting any portion of the Obligation.

3.5 VOLUNTARY PREPAYMENTS. Borrower or any Qualified Borrower may, without premium or penalty, upon three (3) Business Days' prior written notice to Administrative Agent, prepay the principal of the Obligation then outstanding, in whole or in part, at any time or from time to time; provided, however, that if Borrower or any Qualified Borrower shall prepay the principal of any LIBOR Loan on any date other than the last day of the Interest Period applicable thereto, Borrower or such Qualified Borrower, as the case may be, shall make the payments required by SECTION 4.5 hereof. Notwithstanding any provision to the contrary in this SECTION 3.5, if Borrower or a Qualified Borrower desires to prepay a Reference Rate Loan, Borrower or a Qualified Borrower shall only be required to provide written notice thereof to Administrative Agent of such prepayment one (1) Business Day in advance of such payment. Any prepayment not received by 11:00 a.m. (San Francisco time) on a Business Day shall be deemed to have been paid on the next succeeding Business Day. All prepayments of LIBOR Loans must be made on a LIBOR Banking Day.

3.6 REDUCTION OR EARLY TERMINATION OF COMMITMENTS. So long as no Request for Borrowing or Request for Letter of Credit is outstanding, Borrower may terminate the Commitments, or reduce the Maximum Commitment, by giving prior irrevocable written notice to Administrative Agent of such termination or reduction three (3) Business Days prior to the effective date of such termination or reduction (which date shall be specified by Borrower in such notice): (a) (i) in the case of complete termination of the Commitments, upon prepayment of all of the outstanding Obligation, including, without limitation, all interest accrued thereon, in accordance with the terms of SECTION 3.5; or (ii) in the case of a reduction of the Maximum Commitment, upon prepayment of the amount by which the Principal Obligation exceeds the reduced Available Commitment resulting from such reduction, including, without limitation, payment of all interest accrued thereon, in accordance with the terms of SECTION 3.5, provided, however, that, except in connection with a termination of the Commitments, the Maximum Commitment may not be reduced such that, upon such reduction, the Available Commitment is less than the aggregate stated amount of outstanding Letters of

Credit; and (b) in the case of the complete termination of the Commitments, if any Letter of Credit Liability exists, upon payment to Administrative Agent for deposit in a segregated interest-bearing cash collateral account, as security for the Letter of Credit Liability, an amount equal to the Letter of Credit Liability then outstanding at the time such notice is given, without presentment, demand, protest or any other notice of any kind, all of which are hereby waived. Unless otherwise required by law, upon the full and final payment of the Letter of Credit Liability, or the termination of all outstanding Letter of Credit Liability due to the expiration of all outstanding Letters of Credit prior to draws thereon, Administrative Agent shall return to Borrower or the applicable Qualified Borrower any amounts remaining in said cash collateral account, provided, however, that to the extent individual Letters of Credit expire, Agent will return to Borrower or the applicable Qualified Borrower the corresponding amount of the expired Letter of Credit Liability. Notwithstanding the foregoing: (1) Borrower may not terminate the Commitments or reduce the Maximum Commitment prior to six (6) months following the Closing Date; (2) after any reduction of the Maximum Commitment by Borrower, the next subsequent reduction shall not occur until at least one month thereafter; (3) any reduction of the Maximum Commitment shall be in an amount equal to or greater than $5,000,000; and (4) in no event shall a reduction by Borrower reduce the Maximum Commitment to $20,000,000 or less (except for a termination of all the Commitments). Promptly after receipt of any notice of reduction or termination, Agent shall notify each Lender of the same. Any reduction of the Maximum Commitment shall reduce the Commitments of the Lenders on a pro rata basis.

3.7 LENDING OFFICE. Each Lender may: (a) designate its principal office or a branch, subsidiary or Affiliate of such Lender as its lending office (and the office to whose accounts payments are to be credited) for any LIBOR Loan; (b) designate its principal office or a branch, subsidiary or Affiliate as its lending office (and the office to whose accounts payments are to be credited) for any Reference Rate Loan and (c) change its lending offices from time to time by notice to Administrative Agent and Borrower. In such event, such Lender shall continue to hold the Note, if any, evidencing its loans for the benefit and account of such branch, subsidiary or Affiliate. Each Lender shall be entitled to fund all or any portion of its Commitment in any manner it deems appropriate, consistent with the provisions of SECTION 2.5, but for the purposes of this Credit Agreement such Lender shall, regardless of such Lender's actual means of funding, be deemed to have funded its Commitment in accordance with the Interest Option selected from time to time by the Borrower or a Qualified Borrower for such Borrowing period.

SECTION 4. CHANGE IN CIRCUMSTANCES.

4.1 INCREASED COST AND REDUCED RETURN.

(a) CHANGE IN LAW: INCREASED COST. If, after the date hereof, the adoption of any applicable law, rule, or regulation, or any change in any applicable law, rule, or regulation, or any change in the interpretation or administration thereof by any Governmental Authority, central bank, or comparable agency charged with the interpretation or administration thereof, or compliance by any Lender or the Letter of Credit Issuer (or its respective Applicable Lending Office) with any request or directive (whether or not having the force of law) of any such Governmental Authority, central bank, or comparable agency:

(i) shall subject such Lender or the Letter of Credit Issuer (or its Applicable Lending Office) to any tax, duty, or other charge with respect to any LIBOR Loans, Letters

of Credit, its Note, or its obligation to make LIBOR Loans, or issue Letters of Credit, or change the basis of taxation of any amounts payable to such Lender or the Letter of Credit Issuer (or its respective Applicable Lending Office) under this Credit Agreement or its Note in respect of any LIBOR Loans, or Letters of Credit (other than taxes imposed on the overall net income of such Lender or the Letter of Credit Issuer by the jurisdiction in which such Lender has been incorporated, created, or organized or has its principal office or such Applicable Lending Office);

(ii) shall impose, modify, or deem applicable any reserve, special deposit, assessment, compulsory loan, or similar requirement (other than the LIBOR Reserve Requirement utilized in the determination of the Adjusted LIBOR Rate) relating to any extensions of credit or other assets of, or any deposits with or other liabilities or commitments of, such Lender, the Letter of Credit Issuer (or its respective Applicable Lending Office), including the Commitment of such Lender hereunder;

(iii) shall increase the amount of capital required or expected to be maintained or funded by the Letter of Credit Issuer or any Lender and applicable to banks generally in relation to the Letters of Credit issued by the Letter of Credit Issuer or imposed upon any Lender by virtue of its participation arrangement provided in SECTION 2.8(c) hereof; or

(iv) shall impose on such Lender, the Letter of Credit Issuer (or its respective Applicable Lending Office) or on the United States market for certificates of deposit or the London interbank market any other condition affecting this Credit Agreement or its Note or any of such extensions of credit or liabilities or commitments;

and the result of any of the foregoing is to increase the cost to such Lender or the Letter of Credit Issuer (or its respective Applicable Lending Office) of making, Converting into, Continuing, or maintaining any LIBOR Loans, or participating in the Letters of Credit, or to reduce any sum received or receivable by such Lender or the Letter of Credit Issuer (or its respective Applicable Lending Office) under this Credit Agreement or its Note, with respect to any LIBOR Loans or any Letter of Credit, then Borrower shall pay to such Lender such amount or amounts as will compensate such Lender for such increased cost or reduction (provided, however, that such amounts shall be consistent with amounts that such Lender is generally charging other borrowers similarly situated to the Borrower): (A) promptly on demand, to the extent that funds are available in the Subscription Account or any other account maintained by Borrower; and (B) otherwise, to the extent that it is necessary for Borrower to issue a Capital Call Notice to fund such required payment, within fifteen (15) Business Days after demand (but, in any event, Borrower shall issue such Capital Call Notice and shall make such payment promptly after the related Capital Contributions are received).

(b) CHANGE IN LAW: REDUCED RETURN. If, after the date hereof, the adoption of any applicable law, rule, or regulation regarding capital adequacy or any change therein or in the interpretation or administration thereof by any Governmental Authority, central bank, or comparable agency charged with the interpretation or administration thereof, or any request or directive regarding capital adequacy (whether or not having the force of law) of any such Governmental Authority, central bank, or comparable agency, has or would have the effect of reducing the rate of return on

the capital of such Lender or any corporation controlling such Lender as a consequence of such Lender's obligations hereunder to a level below that which such Lender or such corporation could have achieved but for such adoption, change, request, or directive (taking into consideration its policies with respect to capital adequacy), then from time to time Borrower shall pay to such Lender such additional amount or amounts as will compensate such Lender for such reduction (provided, however, that such amounts shall be consistent with amounts that such Lender is generally charging other borrowers similarly situated to the Borrower): (i) promptly on demand, to the extent that funds are available in the Subscription Account or any other account maintained by Borrower; and (ii) otherwise, to the extent that it is necessary for Borrower to issue a Capital Call Notice to fund such required payment, within fifteen (15) Business Days after demand (but, in any event, Borrower shall issue such Capital Call Notice and shall make such payment promptly after the related Capital Contributions are received).

(c) NOTICE. Each Lender and the Letter of Credit Issuer shall promptly notify Borrower and Administrative Agent of any event of which it has knowledge, occurring after the date hereof, but in no event later than ninety (90) days after the occurrence of such event, which will or may entitle such Lender to compensation pursuant to this SECTION 4.1 and will designate a different Applicable Lending Office if such designation will avoid the need for, or reduce the amount of, such compensation and will not, in the good faith judgment of such Lender, be otherwise disadvantageous to it. Any Lender or the Letter of Credit Issuer claiming compensation under this SECTION 4.1 shall furnish to Borrower and Administrative Agent a statement setting forth the additional amount or amounts to be paid to it hereunder which shall be conclusive in the absence of manifest error. In determining such amount, such Lender may use any reasonable averaging and attribution methods.

4.2 LIMITATION ON TYPES OF LOANS. If on or prior to the first day of any Interest Period for any LIBOR Loan:

(a) Administrative Agent determines, in good faith (which determination shall be conclusive), that by reason of circumstances affecting the relevant market, adequate and reasonable means do not exist for ascertaining the LIBOR Rate for such Interest Period for the LIBOR Loan requested; or

(b) the Required Lenders determine (which determination shall be conclusive) and notify Administrative Agent that the Adjusted LIBOR Rate will not adequately and fairly reflect the cost to the Lenders of funding LIBOR Loans for such Interest Period;

then Administrative Agent shall give Borrower prompt notice thereof specifying the relevant amounts or periods, and so long as such condition remains in effect, the Lenders shall be under no obligation to make additional LIBOR Loans, Continue LIBOR Loans, or to Convert Loans of any other Type of Loans into LIBOR Loans and Borrower or the applicable Qualified Borrower, as the case may be, shall, on the last day(s) of the then current Interest Period(s) for the outstanding LIBOR Loans either prepay such Loans or Convert such Loans into another Type of Loan in accordance with the terms of this Credit Agreement.

4.3 ILLEGALITY. Notwithstanding any other provision of this Credit Agreement, in the event that it becomes unlawful for any Lender or its Applicable Lending Office to make, maintain, or fund LIBOR

Loans hereunder, then such Lender shall promptly notify Borrower or the applicable Qualified Borrower, as the case may be, thereof and such Lender's obligation to make or Continue LIBOR Loans and to Convert other Types of Loans into LIBOR Loans shall be suspended until such time as such Lender may again make, maintain, and fund LIBOR Loans (in which case the provisions of SECTION 4.4 shall be applicable), provided, however, that such Lender will designate a different Applicable Lending Office if such designation will resolve such illegality, and will not, in the good faith judgment of such Lender, be otherwise disadvantageous to it.

4.4 TREATMENT OF AFFECTED LOANS. If the obligation of any Lender to make a LIBOR Loan or to Continue, or to Convert Loans of any other Type into LIBOR Loans shall be suspended pursuant to SECTION 4.1 or SECTION 4.3 hereof, such Lender's LIBOR Loans shall be automatically Converted into Reference Rate Loans on the last day(s) of the then current Interest Period(s) for such LIBOR Loans (or, in the case of a Conversion required by SECTION 4.3 hereof, on such earlier date as such Lender may specify to Borrower with a copy to Administrative Agent) and, unless and until such Lender gives notice as provided below that the circumstances specified in SECTION 4.1 or SECTION 4.3 hereof that gave rise to such Conversion no longer exist:

(a) to the extent that such Lender's LIBOR Loans have been so Converted, all payments and prepayments of principal that would

otherwise be applied to such Lender's LIBOR Loans shall be applied instead to its Reference Rate Loans; and

(b) all Loans that would otherwise be made or Continued by such Lender as LIBOR Loans shall be made instead as Reference Rate Loans, and all Loans of such Lender that would otherwise be Converted into LIBOR Loans shall remain as Reference Rate Loans.

If such Lender gives notice to Borrower (with a copy to Administrative Agent) that the circumstances specified in SECTION 4.1 or SECTION 4.3 hereof that gave rise to the Conversion of such Lender's LIBOR Loans pursuant to this SECTION 4.4 no longer exist (which such Lender agrees to do promptly upon such circumstances ceasing to exist) at a time when LIBOR Loans made by other Lenders are outstanding, such Lender's Reference Rate Loans shall be automatically Converted, on the first day(s) of the next succeeding Interest Period(s) for such outstanding LIBOR Loans to the extent necessary so that, after giving effect thereto, all Loans held by the Lenders holding LIBOR Loans and by such Lender are held pro rata (as to principal amounts, Types, and Interest Periods) in accordance with their respective Commitments.

4.5 COMPENSATION. Upon the request of Administrative Agent, Borrower shall pay to Lenders such amount or amounts as shall be sufficient (in the reasonable opinion of Administrative Agent, which determination shall, in the absence of manifest error, be conclusive and binding) to compensate Lenders for any loss, cost, or expense incurred as a result of:

(a) any payment, prepayment, or Conversion of a LIBOR Loan for any reason (including, without limitation, the acceleration of the Loans pursuant to this Credit Agreement) on a date other than the last day of the Interest Period for such Loan, provided, however, that if Borrower shall be required to pay any of the foregoing amounts to Lenders due to a prepayment pursuant to CLAUSE (b) of SECTION 2.5 as a result of a Lender failing to make its Pro Rata Share of any requested Borrowing, such defaulting Lender shall reimburse Borrower for such amounts; or

(b) any failure by Borrower for any reason (including, without limitation, the failure of any condition precedent specified in SECTION 7 to be satisfied) to borrow, Convert, Continue, or prepay a LIBOR Loan on the date for such borrowing, Conversion, Continuation, or prepayment specified in the relevant notice of borrowing, prepayment, Continuation, or Conversion under this Credit Agreement.

4.6 TAXES.

(a) EXCLUDED TAXES. Any and all payments by Borrower to or for the account of any Lender or Administrative Agent hereunder or under any other Loan Document shall be made free and clear of and without deduction for any and all present or future taxes, duties, levies, imposts, deductions, charges or withholdings, and all liabilities with respect thereto, excluding, in the case of each Lender and Administrative Agent, any taxes (including franchise taxes and taxes imposed on or measured by net income or profits), by reason of any connection between, as applicable, such Lender or Administrative Agent and the relevant taxing jurisdiction, including, without limitation, a connection arising from such Person being or having been a citizen, domiciliary, or resident of such jurisdiction, being organized in such jurisdiction, or having had a permanent establishment or fixed place of business therein, but excluding a connection arising solely from such Person having executed, delivered, performed its obligations or received any payment under this Credit Agreement (all such non-excluded taxes, duties, levies, imposts, deductions, charges, withholdings, and liabilities being hereinafter referred to as "TAXES"). If Borrower shall be required by law to deduct any Taxes from or in respect of any sum payable under this Credit Agreement or any other Loan Document to any Lender or Administrative Agent: (i) the sum payable shall be increased as necessary so that after making all required deductions (including deductions applicable to additional sums payable under this SECTION 4.6) such Lender or Administrative Agent receives an amount equal to the sum it would have received had no such deductions been made; (ii) Borrower shall make such deductions; (iii) Borrower shall pay the full amount deducted to the relevant taxation authority or other authority in accordance with applicable law; and (iv) Borrower shall furnish to Administrative Agent, at its address for notice under this Credit Agreement, the original or a certified copy of a receipt evidencing payment thereof.

(b) OTHER TAXES. In addition, Borrower agrees to pay any and all present or future stamp or documentary taxes and any other excise or property taxes or charges or similar levies which arise from any payment made under this Credit Agreement or any other Loan Document or from the execution or delivery of, or otherwise with respect to, this Credit Agreement or any other Loan Document (hereinafter referred to as "OTHER

TAXES").

(c) INDEMNIFICATION. Borrower agrees to indemnify each Lender and Administrative Agent for the full amount of Taxes and Other Taxes (including, without limitation, any Taxes or Other Taxes imposed or asserted by any jurisdiction on amounts payable under this SECTION 4.6) paid by such Lender or Administrative Agent (as the case may be) and any liability (including penalties, interest, and expenses) arising therefrom or with respect thereto.

(d) PRESCRIBED FORMS. (i) Each Lender organized under the laws of the United States, on or prior to the date of its execution and delivery of this Credit Agreement in the case of each

Lender listed on the signature pages hereof and on or prior to the date on which it becomes a Lender in the case of each other Lender, and from time to time thereafter if requested in writing by Borrower or Administrative Agent (but only so long as such Lender remains lawfully able to do so), shall provide Borrower and Administrative Agent with two duly completed originals of Internal Revenue Service form W-9, or any successor form prescribed by the Internal Revenue Service. Each such Lender shall also provide to Borrower or Administrative Agent, on or before the date that any such form expires or becomes obsolete and promptly after the occurrence of any event requiring a change from the most recent forms previously delivered by it to Borrower or Administrative Agent in accordance with applicable U.S. law and regulations, a form W-9, or a successor form, and shall notify promptly Borrower and Administrative Agent if it is no longer able to deliver, or if it is required to withdraw or cancel, any form or statement previously delivered by it pursuant hereto. Each required form shall be delivered by the appropriate Lender on or before the date it becomes a party to this Credit Agreement, and on or before the date, if any, such Lender changes or substitutes its lending office and from time to time thereafter as reasonably required by Administrative Agent or Borrower, and each Lender agrees to take any required action to keep any such form in full force and effect. (ii) Each Lender organized under the laws of a jurisdiction outside the United States, on or prior to the date of its execution and delivery of this Credit Agreement in the case of each Lender listed on the signature pages hereof and on or prior to the date on which it becomes a Lender in the case of each other Lender, and from time to time thereafter if requested in writing by Borrower or Administrative Agent (but only so long as such Lender remains lawfully able to do so), shall provide Borrower and Administrative Agent with two duly completed original Internal Revenue Service forms W8-ECI or W8-BEN, or any successor form prescribed by the Internal Revenue Service. Each such Lender shall also provide to Borrower or Administrative Agent, on or before the date that any such form expires or becomes obsolete and promptly after the occurrence of any event requiring a change from the most recent forms previously delivered by it to Borrower or Administrative Agent in accordance with applicable U.S. law and regulations, a form W8-ECI or W8-BEN, or a successor form, and shall notify promptly Borrower and Administrative Agent if it is no longer able to deliver, or if it is required to withdraw or cancel, any form or statement previously delivered by it pursuant hereto. For any period with respect to which a Lender has failed to provide or is unable to provide Borrower and Administrative Agent with the appropriate form (unless such failure is due to a change in treaty, law, or regulation occurring subsequent to the date on which a form originally was required to be provided), such Lender shall not be entitled to indemnification under SECTIONS 4.6(a) or 4.6(b) with respect to Taxes imposed by the United States; provided, however, that should a Lender, which is otherwise exempt from withholding tax, become subject to Taxes because of its failure to deliver a Prescribed Form required hereunder, Borrower shall take such steps as such Lender shall reasonably request to assist such Lender to recover such Taxes, so long as such steps do not require Borrower to incur any material out-of-pocket expense. Each required form shall be delivered by the appropriate Lender on or before the date it becomes a party to this Credit Agreement, and on or before the date, if any, such Lender changes or substitutes its lending office and from time to time thereafter as reasonably required by Administrative Agent or Borrower, and each Lender agrees to take any required action to keep any such form in full force and effect.

(e) SELECTION OF LENDING OFFICE. If Borrower is or is likely to be required to pay additional amounts to or for the account of any Lender pursuant to this SECTION 4.6, then such Lender will agree to use reasonable efforts to change the jurisdiction of its Applicable Lending Office so as

to eliminate or reduce any such additional payment which may thereafter accrue if such change, in the good faith judgment of such Lender, is not otherwise disadvantageous to such Lender.

(f) EVIDENCE OF PAYMENT. Within thirty (30) days after the date of any payment of Taxes, Borrower shall furnish to Administrative Agent the original or a certified copy of a receipt evidencing such payment.

(g) SURVIVAL OF AGREEMENTS. Without prejudice to the survival of any other agreement of Borrower hereunder, the agreements and obligations of Borrower contained in this SECTION 4.6 shall survive the termination of the Commitments and the payment in full of the Obligation.

SECTION 5. SECURITY

5.1 LIENS AND SECURITY INTEREST. To secure the payment and performance of the Obligation: (i) pursuant to a Pledge and Security Agreement, Guarantor shall grant to Administrative Agent, for the benefit of each Lender, an exclusive, perfected, first priority security interest in all of the Collateral described therein, including the Capital Commitments and any rights to call for and receive payment of Capital Contributions as contemplated by the Subscription Agreements and the Articles of Incorporation, and to enforce the payment thereof or any guarantees thereof now existing or hereafter arising; (ii) pursuant to its Account Assignment, Guarantor shall grant to Administrative Agent, for the benefit of each Lender, an exclusive, perfected, first priority security interest in the Guarantor Subscription Account and all of the proceeds thereof as more fully described in such Account Assignment; (iii) pursuant to the Pledge Agreement, Guarantor shall grant to Administrative Agent, for the benefit of each Lender, an exclusive, perfected, first priority security interest in the Collateral described therein, including all of Guarantor's interest in Borrower now existing or hereafter arising; (iv) pursuant to a Pledge and Security Agreement, Borrower shall grant to Administrative Agent, for the benefit of each Lender, an exclusive, perfected, first priority security interest in all of the Collateral described therein, including the Capital Commitments and any rights to call for and receive payment of Capital Contributions as contemplated by the Subscription Agreements and the Partnership Agreement, and to enforce the payment thereof or any guarantees thereof now existing or hereafter arising; (v) pursuant to its Account Assignment, Borrower shall grant to Administrative Agent, for the benefit of each Lender, an exclusive, perfected, first priority security interest in the Borrower Subscription Account and all of the proceeds thereof as more fully described in such Account Assignment; and (vi) pursuant to the Borrower's Security Agreement, Borrower shall grant to Administrative Agent, for the benefit of each Lender, an exclusive, perfected, first priority security interest in its rights to receive profits and distributions from any subsidiary Affiliate (all of the collateral described in (i) through (vi) above, collectively, "COLLATERAL").

5.2 SUBSCRIPTION ACCOUNTS; CAPITAL CALLS.

(a) SUBSCRIPTION ACCOUNTS. In order to secure further the payment and performance of the Obligation and to effect and facilitate Lenders' right of offset: (i) Borrower hereby irrevocably appoints Administrative Agent as subscription agent and the sole party entitled in the name of Borrower upon the occurrence and during the continuance of an Event of Default, to make any Capital Calls upon the Partners pursuant to the terms of the applicable Subscription Agreements and the Partnership Agreement, and Borrower shall require that all Partners wire-transfer to Bank of

America, N.A., San Francisco, CA, ABA#121-000-358, for further credit to Account No. 1422303330 reference "AMB Institutional Alliance Fund II, L.P. Subscription Account" (the "BORROWER SUBSCRIPTION ACCOUNT"), all monies or sums paid or to be paid by any Partner to the capital of Borrower as Capital Contributions as and when Capital Contributions are called pursuant to the Capital Call Notices; and (ii) Guarantor hereby irrevocably appoints Administrative Agent as subscription agent and the sole party entitled in the name of Guarantor upon the occurrence and during the continuance of an Event of Default, to make any Capital Calls upon the Shareholders pursuant to the terms of the applicable Subscription Agreements and the Guarantor's Constituent Documents, and shall require that all Shareholders wire-transfer to Bank of America, N.A., San Francisco, CA, ABA#121-000-358, for further credit to Account No. 1422103331 reference "AMB Institutional Alliance REIT II, Inc. Subscription Account" (the "GUARANTOR SUBSCRIPTION ACCOUNT"), all monies or sums paid or to be paid by any Shareholder to the capital of Guarantor as Capital Contributions as and when Capital Contributions are called pursuant to the Capital Call Notices. In addition, each of Guarantor and Borrower shall, upon receipt, deposit in the applicable Subscription Account described above, any payments and monies that Borrower or Guarantor receives directly from its Partners or

Shareholders, as applicable, as Capital Contributions.

(b) NO DUTY. Notwithstanding anything to the contrary herein contained, it is expressly understood and agreed that neither Administrative Agent, Letter of Credit Issuer, nor any Lender undertakes any duties, responsibilities, or liabilities with respect to Capital Calls. None of them shall be required to refer to the Constituent Documents of Borrower or Guarantor or take any other action with respect to any other matter which might arise in connection with such Constituent Documents or the Subscription Agreements, or any Capital Call. None of them shall have any duty to determine or inquire into any happening or occurrence or any performance or failure of performance of any Credit Party or any Investor. None of them has any duty to inquire into the use, purpose, or reasons for the making of any Capital Call or with respect to the investment or the use of the proceeds thereof.

(c) CAPITAL CALLS. In order that Lenders may monitor the Collateral and the Capital Commitments, neither Borrower nor Guarantor shall issue any Capital Call Notice or otherwise request, notify, or demand that any Investor make any Capital Contribution, without delivering to Administrative Agent (which delivery may be via facsimile) simultaneously with delivery of the Capital Call Notices to any Investors ("CAPITAL CALL NOTICE DATE"), copies of the Capital Call Notice for each Investor from whom a Capital Contribution is being sought. Any attempted Capital Call Notice by Borrower or Guarantor other than in the manner contemplated above shall be void with respect to Borrower's and Guarantor's obligations under this SECTION 5.2(c) or the other Loan Documents.

(d) USE OF ACCOUNT; CAPITAL CALLS BY ADMINISTRATIVE AGENT. Borrower may withdraw funds from the Subscription Account at any time or from time to time, so long as after giving effect to such withdrawal or disbursement: (i) there does not exist an Event of Default; (ii) there does not exist a Potential Default under SECTIONS 11.1(a), 11.1(i), or 11.1(j) hereof; and (iii) the Principal Obligation does not exceed the Available Commitment (unless, in the latter case, Borrower has directed that such disbursement be paid to Administrative Agent to repay such excess).

Borrower and Guarantor hereby irrevocably authorize and direct Lenders, acting through Administrative Agent, to charge from time to time the Subscription Account and any other accounts of Borrower or Guarantor at any Lender for amounts not paid when due (after the passage of any applicable grace period) to Lenders or any of them hereunder and under the Notes, provided, however, that promptly after any disbursement of funds from any such account to Lenders, as contemplated in this SECTION 5.2(d), Administrative Agent shall deliver a written notice of such disbursement to Borrower. Administrative Agent, on behalf of Lenders, is hereby authorized, in the name of Lenders or the name of Borrower or Guarantor, at any time or from time to time upon the occurrence and while an Event of Default exists, to notify any or all parties obligated to Borrower or Guarantor with respect to the Capital Commitments to make all payments due or to become due thereon directly to Administrative Agent on behalf of Lenders, at a different account number, or to initiate one or more Capital Call Notices in order to pay the Obligation. With or without such general notification, when an Event of Default exists, Administrative Agent, on behalf of Lenders: (i) may make Capital Calls in the name of Borrower or Guarantor, as applicable; (ii) may take or bring in Borrower's name or Guarantor's name or that of Lenders all steps, actions, suits, or proceedings deemed by Administrative Agent necessary or desirable to effect possession or collection of Capital Commitments; (iii) may complete any contract or agreement of Borrower or Guarantor in any way related to any of the Capital Commitments; (iv) may make allowances or adjustments related to the Capital Commitments; (v) may compromise any claims related to the Capital Commitments; (vi) may issue credit in its own name or the name of Borrower or Guarantor; or (vii) may exercise any right, privilege, power, or remedy provided to Borrower or Guarantor under the Constituent Documents of either, or the Subscription Agreements or relating to the right to call for Capital Contributions and to receive Capital Calls. Regardless of any provision hereof, in the absence of gross negligence or willful misconduct by Administrative Agent or Lenders, none of Administrative Agent or Lenders shall ever be liable for failure to collect or for failure to exercise diligence in the collection, possession, or any transaction concerning, all or part of the Capital Call Notices, Capital Commitments, or any Capital Contributions, or sums due or paid thereon, nor shall they be under any obligation whatsoever to anyone by virtue of the security interests and liens relating to the Capital Call Notices, Capital Commitments or any Capital Contributions. Administrative Agent shall give Borrower prompt notice of any action taken pursuant to this SECTION 5.2(d), but failure to give such notice shall not affect the validity of such action or give rise to any defense

in favor of Borrower with respect to such action.

(e) Event of Default. During the existence of an Event of Default, issuance by Administrative Agent on behalf of Lenders of a receipt to any Person obligated to pay any Capital Contribution to Borrower shall be a full and complete release, discharge, and acquittance to such Person to the extent of any amount so paid to Administrative Agent for the benefit of Lenders. Administrative Agent, on behalf of Lenders, is hereby authorized and empowered, during the existence of an Event of Default, on behalf of Borrower or Guarantor, to endorse the name of Borrower or Guarantor upon any check, draft, instrument, receipt, instruction, or other document or items, including, but not limited to, all items evidencing payment upon a Capital Contribution of any Person to Borrower or Guarantor coming into Administrative Agent's possession, and to receive and apply the proceeds therefrom in accordance with the terms hereof. Administrative Agent on behalf of Lenders is hereby granted an irrevocable power of attorney, which is coupled with an interest, to execute all checks, drafts, receipts, instruments, instructions, or other documents, agreements, or items on behalf of Borrower or Guarantor, either before or after demand of payment on the

Obligation but only during the existence of an Event of Default, as shall be deemed by Administrative Agent to be necessary or advisable, in the sole discretion, reasonably exercised, of Administrative Agent, to protect the security interests and liens in the Capital Commitments or the repayment of the Obligation, and neither Administrative Agent nor Lenders shall incur any liability, in the absence of gross negligence or willful misconduct, in connection with or arising from its exercise of such power of attorney.

The application by Lenders of such funds shall, unless Administrative Agent shall agree otherwise in writing, be the same as set forth in SECTION 3.4. Borrower acknowledges that all funds so transferred into the Subscription Accounts shall be the property of Borrower.

(f) NO REPRESENTATIONS. Neither Agents nor Lenders shall be deemed to make at any time any representation or warranty as to the validity of any Capital Call Notice nor shall Agents or Lenders be accountable for Borrower's use of the proceeds of any Capital Call Notice.

5.3 LENDER OFFSET. In addition to the rights granted to Administrative Agent and Lenders under SECTION 5.2(a) hereof, each of Borrower and each Qualified Borrower hereby grants to each Lender a right of offset, to secure repayment of the Obligation, upon any and all monies, securities, or other property of Borrower or such Qualified Borrower and the proceeds therefrom, now or hereafter held or received by or in transit to Lenders, from or for the account of Borrower or such Qualified Borrower, whether for safekeeping, custody, pledge, transmission, collection, or otherwise, and also upon any and all deposits (general or specified) and credits of Borrower or such Qualified Borrower, and any and all claims of Borrower or such Qualified Borrower against Lenders at any time existing. Lenders are hereby authorized at any time and from time to time during the existence of an Event of Default, without notice to Borrower or such Qualified Borrower, to offset, appropriate, apply, and enforce such right of offset against any and all items hereinabove referred to against the Obligation. Borrower shall be deemed directly indebted to Lenders, in the full amount of the Obligation, and Lenders shall be entitled to exercise the rights of offset provided for above. Administrative Agent shall give Borrower prompt notice of any action taken pursuant to this SECTION 5.3, but failure to give such notice shall not affect the validity of such action or give rise to any defense in favor of Borrower with respect to such action

5.4 AGREEMENT TO DELIVER ADDITIONAL COLLATERAL DOCUMENTS. Borrower shall deliver such security agreements, financing statements, assignments, and other collateral documents (all of which shall be deemed part of the Collateral Documents), in form and substance reasonably satisfactory to Administrative Agent, as Administrative Agent acting on behalf of Lenders may reasonably request from time to time for the purpose of granting to, or maintaining or perfecting in favor of Lenders, first and exclusive security interests in any of the Capital Call Notices, Capital Commitments, together with other assurances of the enforceability and priority of Lenders' liens and assurances of due recording and documentation of the Collateral Documents or copies thereof, as Administrative Agent may reasonably require to avoid material impairment of the liens and security interests granted or purported to be granted pursuant to this SECTION 5.

5.5 SUBORDINATION OF ALL CREDIT PARTY CLAIMS. As used herein, the term "CREDIT PARTY CLAIMS" means all debts and liabilities of any Partner to Borrower or any Shareholder to Guarantor, whether such debts and liabilities now exist or are hereafter incurred or arise, or whether the obligations of such

Person thereon be direct, contingent, primary, secondary, several, joint and several, or otherwise, and

irrespective of whether such debts or liabilities be evidenced by note, contract, open account, or otherwise, and irrespective of the Person or Persons in whose favor such debts or liabilities may, at their inception, have been, or may hereafter be created, or the manner in which they have been or may hereafter be acquired by Borrower, a Qualified Borrower, or Guarantor. Credit Party Claims shall include without limitation all rights and claims of Borrower, any Qualified Borrower, or Guarantor against an Investor under the Constituent Documents of such Person or under the Subscription Agreements.

At any time that the Principal Obligation exceeds the Available Commitment, and until the mandatory prepayment pursuant to SECTION 2.1(d) hereof in connection therewith, if any, shall be paid and satisfied in full, and, during the existence and continuation of an Event of Default, neither Borrower, any Qualified Borrower, nor Guarantor shall receive or collect, directly or indirectly any amount upon the Credit Party Claims, other than to obtain funds required to make any mandatory prepayment pursuant to SECTION 2.1(d).

Any liens, security interests, judgment liens, charges, or other encumbrances upon an Investor's assets securing payment of Credit Party Claims, including, but not limited to, any liens or security interests on an Investor's Partnership Interest in Borrower, or an Investor's Capital Stock in Guarantor, shall be and remain inferior and subordinate in right and payment to any liens, security interests, judgment liens, charges, or other encumbrances upon an Investor's assets securing such Investor's obligations and liabilities to Lenders pursuant to any of the Collateral Documents executed by such Investor, regardless of whether such encumbrances in favor of Borrower, a Qualified Borrower, Guarantor or Lenders presently exist or are hereafter created or attach. Without the prior written consent of Administrative Agent, none of Borrower, any Qualified Borrower, nor Guarantor shall: (a) exercise or enforce any creditor's or partnership right it may have against an Investor; (b) foreclose, repossess, sequester, or otherwise take steps or institute any action or proceedings (judicial or otherwise, including without limitation, the commencement of, or joinder in, any liquidation, bankruptcy, rearrangement, debtor's relief, or insolvency proceeding) to enforce any liens, mortgages, deeds of trust, security interest, collateral rights, judgments or other encumbrances on assets of such Investor held by such Person; or (c) exercise any rights or remedies against an Investor under the Constituent Documents of such Person or the Subscription Agreements.

SECTION 6. GUARANTY

6.1 GUARANTY OF PAYMENT. Subject to the limitation set forth below, Guarantor hereby unconditionally guarantees to each Lender, the Letter of Credit Issuer, and Administrative Agent the prompt payment of the Obligation in full when due (whether at stated maturity, as a mandatory prepayment, by acceleration or otherwise) and the timely performance of all other obligations under this Credit Agreement and the other Loan Documents. This Guaranty is a guaranty of payment and not of collection and is a continuing guaranty and shall apply to the entire Obligation whenever arising. Notwithstanding any provision to the contrary contained herein or in any of the other Loan Documents, to the extent the obligations of Guarantor shall be adjudicated to be invalid or unenforceable for any reason (including, without limitation, because of any applicable state or federal law relating to fraudulent conveyances or transfers) then the obligations of Guarantor hereunder shall be limited to the maximum amount that is permissible under applicable law (whether federal or state or otherwise and including, without limitation, Debtor Relief Laws).

6.2 OBLIGATIONS UNCONDITIONAL. The obligations of Guarantor hereunder are absolute and unconditional, irrespective of the value, genuineness, validity, regularity or enforceability of any of the Loan

Documents or any other agreement or instrument referred to therein, to the fullest extent permitted by applicable law, irrespective of any other circumstance whatsoever which might otherwise constitute a legal or equitable discharge or defense of a surety or guarantor. Guarantor agrees that this Guaranty may be enforced by the Lenders without the necessity at any time of resorting to or exhausting any other security or collateral and without the necessity at any time of having recourse to the Notes or any other of the Loan Documents or any collateral, if any, hereafter securing the Obligation or otherwise and Guarantor hereby waives the right to require the Lenders to proceed against Borrower or any other Person (including a co-guarantor) or to require the Lenders to pursue any other remedy or enforce any other right. Guarantor further agrees that it shall have no right of subrogation, indemnity, reimbursement or contribution against Borrower or any other Guarantor of the Obligation for amounts paid under this Guaranty until such time as the Lenders have been paid in full, all Commitments under this Credit Agreement have been

terminated and no Person or Governmental Authority shall have any right to request any return or reimbursement of funds from the Lenders in connection with monies received under the Loan Documents. Guarantor further agrees that nothing contained herein shall prevent the Lenders from suing on the Notes or any of the other Loan Documents or foreclosing its security interest in or Lien on any collateral, if any, securing the Obligation or from exercising any other rights available to it under this Credit Agreement, the Notes, any other of the Loan Documents, or any other instrument of security, if any, and the exercise of any of the aforesaid rights and the completion of any foreclosure proceedings shall not constitute a discharge of Guarantor's obligations hereunder; it being the purpose and intent of Guarantor that, subject to Guarantor's rights to raise defenses to payment that would be available to it if Guarantor was named as a "BORROWER" hereunder rather than as Guarantor, its obligations hereunder shall be absolute, independent and unconditional under any and all circumstances. Neither Guarantor's obligations under this Guaranty nor any remedy for the enforcement thereof shall be impaired, modified, changed or released in any manner whatsoever by an impairment, modification, change, release or limitation of the liability of Borrower or Guarantor or by reason of the bankruptcy or insolvency of Borrower or Guarantor. Guarantor waives any and all notice of the creation, renewal, extension or accrual of any of the Obligation and notice of or proof of reliance by any Agent or any Lender on this Guaranty or acceptance of this Guaranty. The Obligation, and any part of it, shall conclusively be deemed to have been created, contracted or incurred, or renewed, extended, amended or waived, in reliance upon this Guaranty. All dealings between Borrower and Guarantor, on the one hand, and Administrative Agent, the Letter of Credit Issuer, and the Lenders, on the other hand, likewise shall be conclusively presumed to have been had or consummated in reliance upon this Guaranty. Guarantor further agrees to all rights of set-off as set forth in SECTION 5.3. Guarantor hereby subordinates to the Obligation all debts, liabilities and other obligations, whether direct, indirect, primary, secondary, several, joint and several or otherwise, and irrespective of whether such debts, liabilities and obligations be evidenced by note, contract, open account, book entry or otherwise, owing by Borrower to Guarantor, provided, however that Borrower may make distributions consistent with the terms of SECTION 10.10.

6.3 MODIFICATIONS. Guarantor agrees that: (a) all or any part of the Collateral now or hereafter held for the Obligation, if any, may be exchanged, compromised or surrendered from time to time; (b) none of the Lenders, Letter of Credit Issuer, and Administrative Agent shall have any obligation to protect, perfect, secure or insure any such security interests, liens or encumbrances now or hereafter held, if any, for the Obligation or the properties subject thereto; (c) the time or place of payment of the Obligation may be changed or extended, in whole or in part, to a time certain or otherwise, and may be renewed or accelerated, in whole or in part; (d) Borrower and any other party liable for payment under the Loan Documents may be granted indulgences generally; (e) any of the provisions of the Notes or any of the other Loan Documents

may be modified, amended or waived; (f) any party (including any co-guarantor) liable for the payment thereof may be granted indulgences or be released; and (g) any deposit balance for the credit of Borrower or any other party liable for the payment of the Obligation or liable upon any security therefor may be released, in whole or in part, at, before or after the stated, extended or accelerated maturity of the Obligation, all without notice to or further assent by Guarantor, which shall remain bound thereon, notwithstanding any such exchange, compromise, surrender, extension, renewal, acceleration, modification, indulgence or release.

6.4 WAIVER OF RIGHTS. Guarantor expressly waives to the fullest extent permitted by applicable law: (a) notice of acceptance of this Guaranty by the Lenders and of all extensions of credit to Borrower by the Lenders; (b) presentment and demand for payment or performance of any of the Obligation; (c) protest and notice of dishonor or of default (except as specifically required in this Credit Agreement) with respect to the Obligation or with respect to any security therefor; (d) notice of the Lenders obtaining, amending, substituting for, releasing, waiving or modifying any security interest, lien or encumbrance, if any, hereafter securing the Obligation, or the Lenders' subordinating, compromising, discharging or releasing such security interests, liens or encumbrances, if any; and (e) all other notices to which Guarantor might otherwise be entitled.

6.5 REINSTATEMENT. The obligations of Guarantor under this SECTION 6 shall be automatically reinstated if and to the extent that for any reason any payment by or on behalf of any Person in respect of the Obligation is rescinded or must be otherwise restored by any holder of any of the Obligation, whether as a result of any proceedings in bankruptcy or reorganization or otherwise, and Guarantor agrees that it will indemnify Administrative Agent, the Letter of Credit Issuer, and each Lender on demand for all reasonable costs and expenses (including, without limitation, reasonable fees of counsel) incurred by such Person in connection with such rescission or restoration, including any such costs and expenses incurred in defending against any claim alleging that such payment constituted a preference, fraudulent transfer or similar payment under any bankruptcy, insolvency or similar law.

6.6 REMEDIES. Guarantor agrees that, as between Guarantor, on the one hand, and Administrative Agent, the Letter of Credit Issuer, and the Lenders, on the other hand, the Obligation may be declared to be forthwith due and payable as provided in SECTION 11.2 (and shall be deemed to have become automatically due and payable in the circumstances provided in SECTION 11.2) notwithstanding any stay, injunction or other prohibition preventing such declaration (or preventing such Obligation from becoming automatically due and payable) as against any other Person and that, in the event of such declaration (or such Obligation being deemed to have become automatically due and payable), such Obligation (whether or not due and payable by any other Person) shall forthwith become due and payable by Guarantor. Guarantor acknowledges and agrees that its obligations hereunder are secured in accordance with the terms of the Collateral Documents and that the Lenders may exercise their remedies thereunder in accordance with the terms thereof.

6.7 SUBROGATION. Guarantor agrees that, until the Obligation is paid in full in cash, it will not exercise, and hereby waives, any right of reimbursement, subrogation, contribution, offset or other claims against Borrower arising by contract or operation of law in connection with any payment made or required to be made by Guarantor under this Credit Agreement or the other Loan Documents. After the indefeasible payment in full in cash of the Obligation (other than any part of the Obligation that represents contingent contractual indemnities), Guarantor shall be entitled to exercise against Borrower all such rights of

reimbursement, subrogation, contribution, and offset, and all such other claims, to the fullest extent permitted by law.

SECTION 7. CONDITIONS PRECEDENT TO LENDING

7.1 OBLIGATION OF LENDERS. The obligation of Lenders to honor the terms and conditions herein is subject to Administrative Agent's receipt of the following (and subject further to the proviso set forth at the end of this Section 7.1):

(a) CREDIT AGREEMENT. This Credit Agreement, duly executed and delivered by Borrower;

(b) NOTES. A Note for each Lender that has requested one, duly executed and delivered by Borrower;

(c) SECURITY AGREEMENTS. (i) The Borrower's Security Agreement, duly executed and delivered by Borrower; (ii) the Pledge Agreement, duly executed and delivered by Guarantor; and (iii) the Pledge and Security Agreements, duly executed and delivered by each of Borrower and Guarantor;

(d) ACCOUNT DOCUMENTS. The Account Assignments, duly executed and delivered by Borrower and Guarantor, as applicable;

(e) FINANCING STATEMENTS.

(i) searches of Uniform Commercial Code ("UCC") filings (or their equivalent) in each jurisdiction where any Collateral is located or where a filing has been or would need to be made in order to perfect the Lenders' security interest in the Collateral, copies of the financing statements on file in such jurisdictions and evidence that no Liens exist, or, if necessary, copies of proper financing statements, if any, filed on or before the date hereof necessary to terminate all security interests and other rights of any Person in any Collateral previously granted; and

(ii) duly executed UCC financing statements, and any amendments thereto, for each appropriate jurisdiction as is necessary, in the Administrative Agent's sole discretion, to perfect the Lenders' security interest in the Collateral;

(f) BORROWER'S PARTNERSHIP DOCUMENTS. True and complete copies of the Partnership Documents of Borrower as in effect on the date hereof;

(g) GENERAL PARTNER'S FORMATION DOCUMENTS. True and complete copies of: (i) the Partnership Documents of General Partner, and (ii) Constituent Documents of AMB Property Corporation, the general partner of General Partner, together with certificates of existence and good standing (or other similar instruments) of General Partner and AMB Property Corporation, in each case as in effect on the date hereof;

(h) GUARANTOR'S FORMATION DOCUMENTS. True and complete copies of the Constituent Documents of Guarantor together with certificates of existence and good standing (or other similar instruments) as requested by Administrative Agent and its counsel, in each case as in effect on the date hereof;

(i) INCUMBENCY CERTIFICATE. From each Credit Party, a signed certificate of a Responsible Officer, who shall certify the names of the Persons authorized, on the date hereof, to sign each of the Loan Documents and the other documents or certificates to be delivered pursuant to the Loan Documents on behalf of such Credit Party, together with the true signatures of each such Person. Administrative Agent may conclusively rely on such certificate until it shall receive a further certificate canceling or amending the prior certificate and submitting the signatures of the Persons named in such further certificate;

(j) OPINIONS OF COUNSEL. (i) A favorable opinion of Goodwin Procter, LLP, counsel to the Credit Parties; and (ii) an opinion of Ballard Spahr Andrews & Ingersoll, LLP, Maryland counsel to Guarantor; covering such matters relating to the transactions contemplated hereby as reasonably requested by Administrative Agent, and substantially in a form acceptable to Administrative Agent. Each Credit Party hereby requests such counsel to deliver such opinions;

(k) ERISA OPINIONS. Written opinions of Goodwin Procter, LLP, counsel to the Credit Parties concerning the status of Borrower and Guarantor as an Operating Company and that neither the execution, delivery or performance of the Investor Letters nor any of the transactions contemplated by the Loan Documents will constitute a non-exempt prohibited transaction (as such term is defined in Section 4975 of the Internal Revenue Code or Section 406 of ERISA), and covering such other matters relating to ERISA or the Internal Revenue Code as Administrative Agent or the Required Lenders shall reasonably request. Each Credit Party hereby requests such counsel to deliver such opinions;

(l) INVESTOR DOCUMENTS. From each Investor, a duly executed Investor Letter, and a copy of such Investor's duly executed Subscription Agreement; and, from each non-Included Investor, such evidence of authority to enter into the Partnership Agreement, or its Subscription Agreement, and to execute the Investor Letter, as Administrative Agent reasonably requests. Such Investor Letters may be executed by Borrower or Guarantor pursuant to powers of attorney granted by the Investors;

(m) INVESTOR OPINIONS. An Investor Opinion from counsel to each Included Investor, substantially in the form of EXHIBIT L attached hereto. If an Investor Letter is executed by Borrower or Guarantor pursuant to a power of attorney, Administrative Agent may require that such opinion include an opinion as to the enforceability of such Investor Letter signed pursuant to such power of attorney in such form as Administrative Agent may reasonably require. For each Included Investor that is: (i) organized under the laws of any jurisdiction other than the United States of America or any state thereof; or (ii) a Governmental Authority or an instrumentality of a Governmental Authority or majority-owned by a Governmental Authority or otherwise entitled to any immunity in respect of any litigation in any jurisdiction, court or venue, such Investor Opinion shall, among other things, cover the matters described in SECTION 9.17, as applicable, and Administrative Agent shall have received in

respect of such Investor the submission to jurisdiction or waiver or any immunity described in such SECTION, as applicable;

(n) FEES; COSTS AND EXPENSES. Payment of all fees and other amounts due and payable on or prior to the date hereof, including pursuant to the Fee Letter, and, to the extent invoiced, reimbursement or payment of all reasonable expenses required to be reimbursed or paid by Borrower hereunder, including the reasonable fees and disbursements invoiced through the date hereof of Administrative Agent's special counsel, Haynes and Boone, L.L.P.;

(o) ADDITIONAL INFORMATION. Such other information and documents as may reasonably be required by Administrative Agent and its counsel;

PROVIDED, HOWEVER, that Administrative Agent acknowledges that the conditions precedent set forth in subsections (c), (d), (e), (f), (g), (h), (i) and (k) were satisfied in connection with the closing of the Existing Credit Agreement.

7.2 ALL LOANS AND LETTERS OF CREDIT. The obligation of Lenders to

advance each Borrowing (including without limitation the initial Borrowing) or to cause the issuance of Letters of Credit (including, without limitation, the initial Letter of Credit) hereunder is subject to the conditions that:

(a) REPRESENTATIONS AND WARRANTIES. The representations and warranties set forth in SECTION 8 hereof are true and correct in all material respects on and as of the date of the advance of such Borrowing or issuance of such Letter of Credit, with the same force and effect as if made on and as of such date (except to the extent of changes in facts or circumstances that have been disclosed to Lenders and do not constitute an Event of Default or a Potential Default under this Credit Agreement or any other Loan Document);

(b) NO DEFAULT. No event shall have occurred and be continuing, or would result from the Borrowing or the issuance of the Letter of Credit, which constitutes an Event of Default or a Potential Default;

(c) REQUEST FOR BORROWING. Administrative Agent shall have received a Request for Borrowing or Request for Letter of Credit; and

(d) APPLICATION. In the case of a Letter of Credit, the Letter of Credit Issuer shall have received an Application and Agreement for Letter of Credit executed by Borrower and shall have countersigned the same.

7.3 QUALIFIED BORROWER LOANS AND LETTERS OF CREDIT. The obligation of Lenders to advance a Borrowing to a Qualified Borrower or to cause the issuance of a Letter of Credit for a Qualified Borrower is subject to the conditions that:

(a) QUALIFIED BORROWER PROMISSORY NOTE. Administrative Agent shall have received a duly executed Qualified Borrower Promissory Note or Qualified Borrower Letter of Credit Note, as applicable, complying with the terms and provisions hereof;

(b) AUTHORIZATIONS OF QUALIFIED BORROWER. Administrative Agent shall have received from the Qualified Borrower appropriate evidence of the authorization of the Qualified Borrower approving the execution, delivery and performance of the Qualified Borrower Promissory Note or the Qualified Borrower Letter of Credit Note, duly adopted by Qualified Borrower, as required by law or agreement, and accompanied by a certificate of an authorized Person of such Qualified Borrower stating that such authorizations are true and correct, have not been altered or repealed and are in full force and effect;

(c) INCUMBENCY CERTIFICATE. Administrative Agent shall have received from the Qualified Borrower a signed certificate of the appropriate Person of the Qualified Borrower which shall certify the names of the Persons authorized to sign the Qualified Borrower Promissory Note and the other documents or certificates to be delivered pursuant to the terms hereof by such Qualified Borrower, together with the true signatures of each such Person;

(d) BORROWER GUARANTY. Administrative Agent shall have received from Borrower a duly executed Borrower Guaranty complying with the terms and provisions hereof;

(e) OPINION OF COUNSEL TO QUALIFIED BORROWER. Administrative Agent shall have received a favorable opinion of counsel for the Qualified Borrower, in form and substance satisfactory to Administrative Agent and addressed to Administrative Agent, that: (i) the Qualified Borrower is duly organized and validly existing under the laws of the state of its formation; (ii) the subject Note, and, if applicable, the Application and Agreement for Letter of Credit, has been duly authorized, executed and delivered by the Qualified Borrower; (iii) the subject Note and, if applicable, the Application and Agreement for Letter of Credit, is a valid and binding obligation and agreement of such Qualified Borrower, enforceable in accordance with its terms, except to the extent that it may be limited by bankruptcy, insolvency, moratorium and other laws affecting creditors' rights generally, by general equitable principles, or by applicable laws or judicial decisions which may qualify or limit certain rights, remedies or provisions contained therein but which, in the opinion of such counsel, will not materially interfere with the practical realization of the security intended to be provided thereby except for the economic consequences of any procedural delay which may result therefrom; and (iv) neither the execution nor delivery by Qualified Borrower of the subject Note, and, if applicable, the Application and Agreement for Letter of Credit, the performance by such Qualified Borrower of its obligations thereunder, nor the compliance by Qualified Borrower with the terms and provisions thereof, will: (A) contravene any provision of

the general corporate law, or, if Qualified Borrower is a partnership or another type of entity, the general partnership law or applicable law governing such entity, of the state of formation of such Qualified Borrower, or the laws, statutes, rules or regulations of the State of New York or the United States of America to which Qualified Borrower is subject, or conflict with, or result in any breach of, any material agreement, mortgage, indenture, deed of trust or other instrument known to counsel to which Qualified Borrower or its properties may be subject, or result in the creation of any mortgage, lien, pledge or encumbrance in respect of any properties of Qualified Borrower; (B) contravene any judgment, decree, license, order or permit applicable to Qualified Borrower; or (C) violate any provision of the organizational documents of Qualified Borrower. Each Qualified Borrower hereby directs its counsel to prepare and deliver such legal opinion to Administrative Agent for the benefit of Lenders;

(f) OPINION OF COUNSEL TO BORROWER. Administrative Agent shall have received a favorable opinion of counsel for Borrower, in form and substance satisfactory to Administrative Agent and addressed to Administrative Agent, that the subject Borrower Guaranty: (i) has been duly authorized, executed and delivered by Borrower, and (ii) is a valid and binding obligation and agreement of Borrower, enforceable in accordance with its terms, except to the extent that it may be limited by bankruptcy, insolvency, moratorium and other laws affecting creditors' rights generally, by general equitable principles, or by applicable laws or judicial decisions which may qualify or limit certain rights, remedies or provisions contained therein but which, in the opinion of such counsel, will not materially interfere with the practical realization of the security intended to be provided thereby except for the economic consequences of any procedural delay which may result therefrom. Borrower hereby directs such counsel to prepare and deliver such legal opinion to Administrative Agent for the benefit of Lenders; and

(g) ADDITIONAL INFORMATION. Administrative Agent shall have received such other information and documents as may reasonably be required by Administrative Agent and its counsel.

SECTION 8. REPRESENTATIONS AND WARRANTIES.

To induce Lenders to make the Loans and cause the issuance of Letters of Credit hereunder, Borrower represents and warrants to Lenders that:

8.1 ORGANIZATION AND GOOD STANDING OF BORROWER. Borrower is a limited partnership duly organized and existing under the laws of the State of Delaware, has the requisite limited partnership power and authority to own its properties and assets and to carry on its business as now conducted, and is qualified to do business in each jurisdiction where the nature of the business conducted or the property owned or leased requires such qualification or where the failure to be so qualified to do business would have a Material Adverse Effect.

8.2 ORGANIZATION AND GOOD STANDING OF GENERAL PARTNER. General Partner is a limited partnership duly organized and existing under the laws of the State of Delaware, has the requisite limited partnership power and authority to own its properties and assets and to carry on its business as now conducted, and is qualified to do business in each jurisdiction where the nature of the business conducted or the property owned or leased requires such qualification or where the failure to be so qualified to do business would have a Material Adverse Effect.

8.3 ORGANIZATION AND GOOD STANDING OF GUARANTOR. Guarantor is a corporation duly organized, validly existing, and in good standing under the laws of Maryland, has the requisite limited corporate power and authority to own its properties and assets and to carry on its business as now conducted, and is qualified to do business in each jurisdiction where the nature of the business conducted or the property owned or leased requires such qualification or where the failure to be so qualified to do business would have a Material Adverse Effect.

8.4 AUTHORIZATION AND POWER. Borrower and Guarantor have the partnership and corporate power, as applicable, and requisite authority to execute, deliver, and perform their respective obligations under this Credit Agreement, the Notes, and the other Loan Documents to be executed by it; each of Borrower and

Guarantor are duly authorized to, and have taken all partnership and corporate action, as applicable, necessary to authorize each of them to execute, deliver, and perform their respective obligations under this Credit Agreement, the Notes, and such other Loan Documents and are and will continue to be duly authorized to

perform their respective obligations under this Credit Agreement, the Notes, and such other Loan Documents.

8.5 NO CONFLICTS OR CONSENTS. None of the execution and delivery of this Credit Agreement, the Notes, or the other Loan Documents, the consummation of any of the transactions herein or therein contemplated, or the compliance with the terms and provisions hereof or with the terms and provisions thereof, will contravene or conflict, in any material respect, with any provision of law, statute, or regulation to which Borrower or Guarantor is subject or any judgment, license, order, or permit applicable to Borrower or Guarantor or any indenture, mortgage, deed of trust, or other agreement or instrument to which Borrower or Guarantor is a party or by which Borrower or Guarantor may be bound, or to which Borrower or Guarantor may be subject. No consent, approval, authorization, or order of any court or Governmental Authority or third party is required in connection with the execution and delivery by Borrower and Guarantor of the Loan Documents or to consummate the transactions contemplated hereby or thereby.

8.6 ENFORCEABLE OBLIGATIONS. This Credit Agreement, the Notes and the other Loan Documents to which it is a party are the legal and binding obligations of each of Borrower and Guarantor enforceable in accordance with their respective terms, subject to Debtor Relief Laws and equitable principles.

8.7 PRIORITY OF LIENS. The Collateral Documents create, as security for the Obligation and the Investor REIT Obligation, as applicable, valid and enforceable, exclusive, first priority security interests in and Liens on all of the Collateral in which Borrower or Guarantor has any right, title or interest, in favor of Administrative Agent for the benefit of Lenders, subject to no other Liens, except as enforceability may be limited by Debtor Relief Laws and equitable principles. Such security interests in and Liens on the Collateral in which Borrower or Guarantor has any right ,title, or interest shall be superior to and prior to the rights of all third parties in such Collateral, and, other than in connection with any future change in Borrower's or Guarantor's name, identity or structure, or the location of its chief executive office, no further recordings or filings are or will be required in connection with the creation, perfection or enforcement of such security interests and Liens, other than the filing of continuation statements in accordance with applicable law. Each Lien referred to in this SECTION 8.7 is and shall be the sole and exclusive Lien on the Collateral in which Borrower or Guarantor has any right, title or interest.

8.8 FINANCIAL CONDITION. (a) Borrower has delivered to Administrative Agent the most-recently available copies of the financial statements and reports described in SECTION 9.1 hereof, and copies of its pro forma balance sheet as of June 30, 2001. Such statements fairly present, in all material respects, the financial condition of Borrower as of the applicable date of delivery, and have been prepared in accordance with Generally Accepted Accounting Principles, except as provided therein; and (b) as of the Closing Date, after giving effect to this Credit Agreement, Guarantor has no material liabilities, absolute or contingent, matured or unmatured, other than its obligations under this Credit Agreement, the other Loan Documents, the Subscription Agreements, and its obligations as a limited partner of Borrower.

8.9 FULL DISCLOSURE. There is no material fact that Borrower or Guarantor has not disclosed to Administrative Agent in writing which could have a Material Adverse Effect. All information heretofore

furnished by Borrower, General Partner, or Guarantor in connection with this Credit Agreement, the other Loan Documents or any transaction contemplated hereby is, and all such information hereafter furnished will be, true and correct in all material respects on the date as of which such information is stated or deemed stated.

8.10 NO DEFAULT. No event has occurred and is continuing which constitutes an Event of Default or a Potential Default.

8.11 NO LITIGATION. There are no actions, suits or legal, equitable, arbitration or administrative proceedings pending, or to the knowledge of Borrower of Guarantor threatened, against either Borrower or Guarantor that would, if adversely determined, have a Material Adverse Effect.

8.12 TAXES. To the extent that failure to do so would have a Material Adverse Effect, all tax returns required to be filed by Borrower or Guarantor in any jurisdiction have been filed and all taxes (including mortgage recording taxes), assessments, fees, and other governmental charges upon Borrower of Guarantor or upon any of their properties, income or franchises have been paid prior to the time that such taxes could give rise to a lien thereon. There is no proposed tax assessment against Borrower or Guarantor or any basis for such assessment which is material and is not being contested in good faith.

8.13 PRINCIPAL OFFICE. The principal office, chief executive office, and principal place of business of Borrower and Guarantor is at Pier 1, Bay 1, San Francisco, CA 94111.

8.14 ERISA. Neither Borrower nor Guarantor has established or maintains any Plan. Each of Borrower and Guarantor is an Operating Company.

8.15 COMPLIANCE WITH LAW. Borrower and Guarantor are, to the best of their knowledge, in compliance in all material respects with all material laws, rules, regulations, orders, and decrees which are applicable to Borrower or Guarantor or their respective properties, including, without limitation, the International Investment and Trade in Services Survey Act of 1976, as amended, and Environmental Laws.

8.16 HAZARDOUS SUBSTANCES. Neither Borrower nor Guarantor: (a) has received any notice or other communication or otherwise learned of any Environmental Liability which would individually or in the aggregate reasonably be expected to have a Material Adverse Effect arising in connection with: (i) any non-compliance with or violation of the requirements of any Environmental Law by Borrower, or any permit issued under any Environmental Law to Borrower; or (ii) the Release or threatened Release of any Hazardous Material into the environment; or (b) to its knowledge, has threatened or actual liability in connection with the Release or threatened Release of any Hazardous Material into the environment which would individually or in the aggregate reasonably be expected to have a Material Adverse Effect.

8.17 INSIDER. Neither Borrower nor Guarantor is an "executive officer," "director," or "person who directly or indirectly or acting through or in concert with one or more persons owns, controls, or has the power to vote more than 10% of any class of voting securities" (as those terms are defined in 12 U.S.C. Section 375b or in regulations promulgated pursuant thereto) of any Lender, of a bank holding company of which any Lender is a subsidiary, or of any subsidiary, of a bank holding company of which any Lender is a

subsidiary, of any bank at which any Lender maintains a correspondent account, or of any bank which maintains a correspondent account with any Lender.

8.18 PARTNERSHIP STRUCTURE. As of the date hereof, the sole general partner of Borrower is General Partner. The only Limited Partners of Borrower are set forth on EXHIBIT A attached hereto and incorporated herein by reference (or on a revised EXHIBIT A delivered to Administrative Agent in accordance with SECTION 10.5 hereof), and the Capital Commitment of each Limited Partner is set forth on EXHIBIT A (or on such revised EXHIBIT A).

8.19 CAPITAL COMMITMENTS AND CONTRIBUTIONS. EXHIBIT A sets forth the names of the Partners, the Shareholders and their respective Capital Commitments and Remaining Capital Commitments as of the date hereof. There are no Capital Call Notices outstanding except as otherwise disclosed in writing to Administrative Agent. To the knowledge of Borrower and Guarantor, no Investor is in default under the Partnership Agreement, its Subscription Agreement, or the Articles of Incorporation, as applicable. Prior to the date hereof, Borrower and Guarantor have each satisfied all conditions to their respective rights to make a Capital Call, including any and all conditions contained in their respective Constituent Documents or the Subscription Agreements.

8.20 FISCAL YEAR. The fiscal year of Borrower and General Partner is the calendar year.

8.21 CLOSING DATE. The "First Closing Date" as defined in the Borrower Partnership Agreement shall be June 28, 2001.

8.22 INVESTMENT COMPANY ACT. Borrower is not an "investment company" within the meaning of the Investment Company Act of 1940, as amended.

8.23 REIT STATUS. Guarantor is organized in conformity with the requirements for qualification as a real estate investment trust under the Internal Revenue Code. Guarantor is in a position to qualify for its current fiscal year as a real estate investment trust under the Internal Revenue Code and its proposed methods of operation will enable it to so qualify.

SECTION 9. AFFIRMATIVE COVENANTS

So long as Lenders have any commitment to lend hereunder or to cause the issuance of any Letters of Credit hereunder, and until payment in full of the Notes and the performance in full of the Obligation under this Credit Agreement and the other Loan Documents, Borrower and each Qualified Borrower, as applicable, agrees that, unless Administrative Agent shall otherwise consent in writing based upon the approval of the Required Lenders (unless the approval of Administrative Agent alone or a different number of Lenders is expressly permitted below):

9.1 FINANCIAL STATEMENTS, REPORTS AND NOTICES. Borrower shall deliver to Administrative Agent sufficient copies for each Lender of the following:

(a) PARTNERSHIP FINANCIAL REPORTS.

(i) ANNUAL REPORTS. As soon as available, but no later than ninety (90) days after the end of the Borrower's fiscal year, a report setting forth, as of the end of such fiscal year, the Borrower's balance sheet and income statement, a description of the Property (as such term is defined in the Partnership Agreement) acquired, sold or otherwise disposed of by Borrower during such fiscal year, and a statement of each Partner's Capital Account; together with the unqualified opinion of a firm of nationally-recognized independent certified public accountants, based on an audit using generally accepted auditing standards, that such financial statements were prepared in accordance with Generally Accepted Accounting Principles and present fairly the financial condition and results of operations of Borrower;

(ii) QUARTERLY REPORTS. As soon as available, but no later than forty-five (45) days after the end of each of the first three fiscal quarters of Borrower, commencing with the fiscal quarter ending on September 30, 2001, an unaudited report setting forth as of the end of such fiscal quarter, the Borrower's balance sheet and income statement and a description of the Property (as such term is defined in the Partnership Agreement) acquired, sold or otherwise disposed of by Borrower during such fiscal quarter;

(b) COMPLIANCE CERTIFICATE. No later than forty-five (45) days after the end of each of the first three fiscal quarters of Borrower, and no later than ninety (90) days after the end of Borrower's fiscal year, a compliance certificate (the "COMPLIANCE CERTIFICATE"), certified by a Responsible Officer of Borrower to be true and correct, stating: (i) whether any Event of Default or, to its knowledge any Potential Default, exists; (ii) whether Borrower is in compliance with the Recourse Debt Limitations contained in SECTION 10.11, and containing the calculations evidencing such compliance; (iii) whether Borrower is in compliance with the limitations on indebtedness set forth in Section 7.1(B)(vi) of the Partnership Agreement and containing the calculations evidencing such compliance; and (iv) setting forth: (A) the Remaining Capital Commitments of the Investors, and separately, the Remaining Capital Commitments of the Included Investors; (B) the calculations for the Available Commitment as of the end of such quarter; (C) specifying changes, if any, in the names or notice information for any Investor; and (D) listing all Subsequent Investors who have not satisfied each of the requirements set forth in SECTION 10.5(C);

(c) OTHER REPORTING. Simultaneously with delivery to the Investors, copies of all other financial statements, appraisal reports, notices, and other matters at any time or from time to time prepared by Borrower or Guarantor and furnished to the Investors, including, without limitation, any notice of default, notice of election or exercise of any rights or remedies under the Subscription Agreements or the Constituent Documents of Borrower or Guarantor, or any notices relating in any way to any Investor's Capital Commitment, and any notice relating in any way to the misconduct of Borrower or Guarantor;

(d) INVESTOR FINANCIAL INFORMATION. (i) To the extent provided by the Investors under their Investor Letters, within ninety (90) days after the end of the fiscal year of each Investor, such Investor's financial statements as of the end of such fiscal year, reported on by independent public accountants to the extent available; and (ii) from time to time upon the request of Administrative Agent, a certificate of any Investor setting forth its Remaining Capital Commitment;

(e) OPERATING COMPANY STATUS. No later than sixty (60) days after the first day of each Annual Valuation Period of Borrower and of Guarantor, a certificate of each of the Borrower and the Guarantor, based on advice of counsel reasonably acceptable to the Administrative Agent, that such Credit Party has remained and still is an Operating Company; and

(f) OTHER INFORMATION. Such other information concerning the business, properties, or financial condition of Borrower and Guarantor as Administrative Agent shall reasonably request.

9.2 PAYMENT OF TAXES. Borrower, each Qualified Borrower and Guarantor will pay and discharge all taxes, assessments, and governmental charges or levies imposed upon it, or them, or upon its, or their, income or profits, or upon any property belonging to it, or them, before delinquent, if such failure would have a Material Adverse Effect; provided, however, that none of Borrower, any Qualified Borrower or Guarantor shall be required to pay any such tax, assessment, charge, or levy if and so long as the amount, applicability, or validity thereof shall currently be contested in good faith by appropriate proceedings and appropriate reserves therefor have been established.

9.3 MAINTENANCE OF EXISTENCE AND RIGHTS. Each of Borrower, each Qualified Borrower and Guarantor will preserve and maintain its existence. Borrower shall further preserve and maintain all of its rights, privileges, and franchises necessary in the normal conduct of its business and in accordance with all valid regulations and orders of any Governmental Authority the failure of which would have a Material Adverse Effect.

9.4 NOTICE OF DEFAULT. Borrower will furnish to Administrative Agent, promptly upon becoming aware of the existence of any condition or event which constitutes an Event of Default or a Potential Default (including, without limitation, notice from the limited partners of Borrower under Section 11.2 of the Partnership Agreement that the limited partners of Borrower intend to seek the removal of General Partner as general partner of Borrower), a written notice specifying the nature and period of existence thereof and the action which Borrower is taking or proposes to take with respect thereto. The Credit Parties shall promptly notify Administrative Agent in writing upon becoming aware: (a) that any Partner has violated or breached any material term of the Partnership Agreement or has become a Defaulting Investor; (b) that any Shareholder has breached any material term of its Subscription Agreement or has become a Defaulting Investor; or (b) of the existence of any condition or event which, with the lapse of time or giving of notice or both, would cause an Investor to become a Defaulting Investor.

9.5 OTHER NOTICES. The Credit Parties will, promptly upon receipt of knowledge thereof, notify Administrative Agent of any of the following events that could have a Material Adverse Effect: (a) any change in the financial condition or business of Borrower, any Qualified Borrower or Guarantor; (b) any default under any material agreement, contract, or other instrument to which Borrower, any Qualified Borrower or Guarantor is a party or by which any of its properties are bound, or any acceleration of the maturity of any material indebtedness owing by Borrower, any Qualified Borrower, or Guarantor; (c) any uninsured claim against or affecting Borrower, any Qualified Borrower or Guarantor or any of their properties that may have a Material Adverse Effect; (d) the commencement of, and any material determination in, any litigation with any third party or any proceeding before any Governmental Authority affecting Borrower, any Qualified Borrower or Guarantor; (e) any Environmental Complaint or any claim, demand, action, event, condition, report or investigation indicating any potential or actual liability arising in connection with: (i) the

non-compliance with or violation of the requirements of any Environmental Law or any permit issued under any Environmental Law which individually or in the aggregate might have a Material Adverse Effect; or (ii) the Release or threatened Release of any Hazardous Material into the environment which individually or in the aggregate might have a Material Adverse Effect; (f) the existence of any Environmental Lien on any Properties or assets of Borrower, any Qualified Borrower or Guarantor; (g) any material remedial action taken by Borrower, any Qualified Borrower, or Guarantor in response to any order, consent decree or judgment of any Governmental Authority or any Environmental Liability; or (h) the listing of any of Borrower's or Guarantor's Properties on CERCLIS to the extent that Borrower obtains knowledge of such listing.

9.6 COMPLIANCE WITH LOAN DOCUMENTS AND PARTNERSHIP AGREEMENT. Unless otherwise approved in accordance with the terms of this Credit Agreement (which approval, by such terms, may require more or fewer Lenders than the Required Lenders), each of Borrower, each Qualified Borrower and Guarantor will promptly comply with any and all covenants and provisions of this Credit Agreement, the Notes, and all of the other Loan Documents executed by it. Borrower and each Qualified Borrower will use the proceeds of any Capital Call Notices only for such purposes as are permitted by the Partnership Agreement.

9.7 OPERATIONS AND PROPERTIES. Borrower, each Qualified Borrower and Guarantor will act prudently and in accordance with customary industry standards in managing or operating its assets, properties, business, and investments so as not to incur a Material Adverse Effect; Borrower, each Qualified Borrower and Guarantor will keep in good working order and condition, ordinary wear and tear excepted, all of its assets and properties which are necessary to the conduct of their business so as not to incur a Material Adverse Effect.

9.8 BOOKS AND RECORDS; ACCESS. Following one (1) Business Day prior written notice, Borrower, each Qualified Borrower and Guarantor will give any representative of Administrative Agent or Lenders, or any of them, access during all business hours to, and permit representative to examine, copy, or make excerpts from, any and all books, records, and documents in the possession of Borrower, such Qualified Borrower or Guarantor and relating to its affairs, and to inspect any of the properties of Borrower, a Qualified Borrower or Guarantor, provided, however, that, so long as no Event of Default exists, any such inspection shall be conducted by Administrative Agent on behalf of Lenders.

9.9 COMPLIANCE WITH LAW. Borrower, each Qualified Borrower and Guarantor will comply in all material respects with all material laws, rules, regulations,

and all orders of any Governmental Authority, including without limitation, Environmental Laws, ERISA and the International Investment and Trade in Services Survey Act of 1976, as amended.

9.10 INSURANCE. Borrower, each Qualified Borrower and Guarantor will maintain workmen's compensation insurance, liability insurance, and insurance on its present and future properties, assets, and business against such casualties, risks, and contingencies, and in such types and amounts, as are consistent with customary practices and standards of the real estate industry and the failure of which to maintain could have a Material Adverse Effect.

9.11 AUTHORIZATIONS AND APPROVALS. Borrower, each Qualified Borrower and Guarantor will promptly obtain, from time to time at its own expense, all such governmental licenses, authorizations, consents,

permits and approvals as may be required to enable Borrower, each Qualified Borrower and Guarantor to comply with their respective obligations hereunder, under the other Loan Documents, the Subscription Agreements and their respective Constituent Documents.

9.12 MAINTENANCE OF LIENS. Borrower, each Qualified Borrower and Guarantor shall perform all such acts and execute all such documents as Administrative Agent may reasonably request in order to enable Lenders to report, file, and record every instrument that Administrative Agent may deem necessary in order to perfect and maintain Lenders' liens and security interests in the Collateral and otherwise to preserve and protect the rights of Lenders. Neither Borrower nor Guarantor shall grant or create (nor shall either suffer any other Person to grant or create) any other Liens on any Collateral, whether junior, equal, or superior in priority to the Liens created by the Loan Documents.

9.13 ERISA COMPLIANCE. Unless otherwise agreed by all Lenders, Borrower will maintain its status as an Operating Company.

9.14 FURTHER ASSURANCES. Each of Borrower, each Qualified Borrower and Guarantor will make, execute or endorse, and acknowledge and deliver or file or cause the same to be done, all such vouchers, invoices, notices, certifications, and additional agreements, undertakings, conveyances, transfers, assignments, financing statements, or other assurances, and take any and all such other action, as Administrative Agent may, from time to time, deem reasonably necessary or proper in connection with the Credit Agreement or any of the other Loan Documents, the obligations of the Credit Parties and each Qualified Borrower hereunder or thereunder, or for better assuring and confirming unto Lenders all or any part of the security for any of such obligations.

9.15 COVENANTS OF QUALIFIED BORROWERS. The covenants and agreements of Qualified Borrowers hereunder shall be binding and effective only upon and after the execution and delivery of a Qualified Borrower Note by such Qualified Borrower.

9.16 INVESTOR FINANCIAL AND RATING INFORMATION. The Credit Parties shall request, from each Investor, financial information required under the applicable Investor Letter, as agreed from time to time with Administrative Agent, and shall, upon receipt of such information, promptly deliver same to Administrative Agent, or shall promptly notify Administrative Agent of its failure to timely obtain such information. The Credit Parties will use reasonable efforts to monitor the Ratings of the Included Investors and promptly notify Administrative Agent in writing (but in no event later than five (5) Business Days) after: (a) becoming aware of: (i) any decline in the Rating of any Included Investor, or decline in the capital status of any Included Investor that is a bank holding company, whether or not such change results in an Exclusion Event and (ii) any other Exclusion Event; and (b) becoming aware of the existence of any condition or event which, with the lapse of time or giving of notice or both, would cause an Exclusion Event.

9.17 CERTAIN INCLUDED INVESTOR REQUIREMENTS. In addition to the other requirements of this Credit Agreement, each Included Investor that is:(i) organized under the laws of any jurisdiction other than the United States of America or any state thereof shall deliver to Administrative Agent a written submission to the jurisdiction of a United States Federal District Court and a United States state court with respect to any litigation arising out of or in connection with its Subscription Agreement or Investor Letter or any Constituent Document of Borrower or Guarantor (each submission to be in form and substance satisfactory to

Administrative Agent in its sole and absolute discretion, including provisions relating to waiver of venue, waiver of defense of inconvenient forum, and

consent to service of process, and accompanied by an Investor Opinion as to the enforceability of such submission); or (ii) a Governmental Authority or an instrumentality of a Governmental Authority or majority-owned by a Governmental Authority or otherwise entitled to any immunity in respect of any litigation in any jurisdiction, court or venue, shall deliver to Administrative Agent a written waiver (in form and substance satisfactory to Administrative Agent in its sole and absolute discretion) of any such claim of immunity and an Investor Opinion that such waiver is enforceable or such Investor and its property is not entitled to any immunity with respect to any litigation arising out of or in connection with its Subscription Agreement or Investor Letter or any Constituent Document of Borrower or Guarantor.

9.18 MAINTENANCE OF REIT STATUS. Guarantor will use its best efforts to operate its business so as to satisfy all requirements necessary to qualify as a real estate investment trust under Sections 856 through 860 of the Internal Revenue Code and will not intentionally take any action that would cause Guarantor to fail to so qualify. Guarantor will maintain adequate records so as to comply with all record-keeping requirements relating to its qualification as a real estate investment trust as required by the Internal Revenue Code and applicable regulations of the Department of Treasury promulgated thereunder and will properly prepare and timely file with the Internal Revenue Service all returns and reports required thereby to qualify as a real estate investment trust each year. Guarantor will request from its Shareholders all shareholder information required by the Internal Revenue Code and applicable regulations of the Department of Treasury promulgated thereunder.

SECTION 10. NEGATIVE COVENANTS

So long as Lenders have any commitment to lend hereunder or to cause the issuance of any Letter of Credit hereunder, and until payment and performance in full of the Obligation under this Credit Agreement and the other Loan Documents, Borrower agrees that, without the written consent of Administrative Agent, based upon the approval of Required Lenders (unless the approval of Administrative Agent alone or a different number of Lenders is expressly permitted below):

10.1 MERGERS. Neither Borrower nor Guarantor will merge or consolidate with or into any Person, unless Borrower or Guarantor, respectively, is the surviving entity.

10.2 NEGATIVE PLEDGE. Without the approval of all Lenders, neither Borrower nor Guarantor will create or suffer to exist any mortgage, pledge, security interest, conditional sale or other title retention agreement, charge, encumbrance, or other Lien (whether such interest is based on common law, statute, other law or contract) upon the Collateral, other than to Lenders, nor will Guarantor create or suffer to exist any mortgage, pledge, security interest, conditional sale or other title retention agreement, charge, encumbrance, or other Lien (whether such interest is based on common law, statute, other law or contract) upon its interest in Borrower.

10.3 FISCAL YEAR AND ACCOUNTING METHOD. Without the consent of Administrative Agent alone, neither Borrower nor Guarantor will change their respective fiscal year or method of accounting.

10.4 PARTNERSHIP AGREEMENT. No Credit Party shall alter, amend, modify, terminate, or change any provision of its Constituent Documents affecting the Investors' debts, duties, obligations, and liabilities, and the rights, titles, security interests, liens, powers and privileges of Borrower, Guarantor, Administrative Agent or Lenders, in each case relating to Capital Call Notices, Capital Commitments, Capital Contributions or Remaining Capital Commitments (a "MATERIAL AMENDMENT"), or suspend, reduce or terminate Partner's Remaining Capital Commitments. With respect to any proposed amendment, modification or change to any Constituent Document, the applicable Credit Party shall notify Administrative Agent of such proposal. Administrative Agent shall determine, in its sole discretion (that is, the determination of the other Lenders shall not be required) on Administrative Agent's good faith belief, whether such proposed amendment, modification or change to such Constituent Document is a material amendment within ten (10) Business Days of the date on which it is deemed to have received such notification pursuant to SECTION 13.6 hereof, and shall promptly notify such Credit Party of its determination. If Administrative Agent determines that the proposed amendment is a material amendment, the approval of the Required Lenders will be required (unless the approval of all Lenders is required consistent with the terms of SECTION 10.6 hereof), and Administrative Agent shall promptly notify the Lenders of such request for such approval, distributing, as appropriate, the proposed amendment and any other relevant information provided by the Credit Parties. If Administrative Agent determines that the proposed amendment is not a material amendment, such Credit Party may make such amendment without the consent of Lenders. Notwithstanding the foregoing, Borrower may, without the consent of Administrative Agent or the Lenders, amend its Partnership Agreement: (i) to admit new Partners to the extent permitted by this Credit Agreement;(ii) to reflect transfers of interests in Borrower permitted by this Credit Agreement; (iii) to amend Exhibit A to

Borrower's Partnership Agreement to reflect Capital Contributions made by Partners and the issuance of Partnership Units (as defined therein) pursuant thereto; and (iv) to the extent provided in Sections 14.1.C(ii), 14.1.C(iii), 14.1.C(iv) or 14.1.C(v) of Borrower's Partnership Agreement; provided, however that Borrower shall promptly provide to Administrative Agent a copy of any such amendment which does not require the consent of Administrative Agent or the Lenders.

10.5 TRANSFER BY, OR ADMISSION OF, INVESTORS.

(a) TRANSFER OF PARTNERSHIP INTEREST OR CAPITAL STOCK. Borrower shall not permit the transfer of the Partnership Interest of any Partner without the consent of Administrative Agent acting alone, which consent shall not be unreasonably withheld. Guarantor shall not permit the transfer of the Capital Stock of any Shareholder without the consent of Administrative Agent acting alone, which consent shall not be unreasonably withheld. Any transfer of a Partnership Interest by an Included Investor, or the Capital Stock by an Included Investor, other than a transfer: (i) to another Included Investor or its Affiliate; (ii) to an Affiliate or the Credit Provider of such Included Investor; (iii) to a successor trust or trustee; (iv) by virtue of a merger; in each case where the transferee entity has an equal or higher Rating than that of the transferor (and, in the case of an ERISA Investor, a Minimum Funding Ratio meeting the Applicable Requirement, or in the case of a Bank Holding Company, Adequately Capitalized status); or (v) as otherwise permitted by such Investor's Investor Letter; shall also require the consent of the Required Lenders.

(b) ADMISSION OF INVESTORS. Borrower shall not admit any Person as an additional Partner without the prior written consent of Administrative Agent acting alone (which consent shall not be unreasonably withheld). Guarantor shall not admit any Person as an additional Shareholder

without the prior written consent of Administrative Agent acting alone (which consent shall not be unreasonably withheld).

(c) DOCUMENTATION REQUIREMENTS. The Credit Parties shall require that: (i) any Person admitted as a substitute or new Shareholder or Partner (whether due to a transfer by an existing Investor or otherwise) (a "SUBSEQUENT INVESTOR") shall, as a condition to such admission, deliver an Investor Letter and provide other documentation similar to that described in SECTIONS 7.1(l) and 7.1(m) satisfactory to Administrative Agent in its reasonable discretion; and (ii) any existing Investor that is a transferee from another Investor shall provide confirmation of its obligations under its Investor Letter with respect to any increase in its Capital Commitment relating to such transfer, and, to the extent not addressed in the documentation previously delivered by such Investor, evidence of its authority to assume such increased Capital Commitment, all as satisfactory to Administrative Agent in its reasonable discretion. In the event any Person is admitted as an additional or substitute Investor, the Credit Parties will promptly deliver to Administrative Agent a revised EXHIBIT A to this Credit Agreement, containing the names and addresses of each Investor and the Capital Commitments of each.

(d) FUNDING REQUIREMENTS. Prior to the effectiveness of any transfer by an Included Investor, Borrower shall calculate whether, taking into account the Capital Commitments of the Included Investors as if such transfer had occurred, the transfer would cause the Principal Obligation to exceed the Available Commitment, and shall make any Capital Calls required to pay any resulting mandatory prepayment under SECTION 2.1(d) prior to permitting such transfer.

10.6 CAPITAL COMMITMENTS. Neither Borrower nor Guarantor shall: (a) cancel, reduce or defer the Capital Commitment of any Partner (other than an Included Investor, which is addressed below) as provided in the Constituent Documents of such Credit Party; or (b) without the prior written approval of all Lenders: (i) issue any Capital Call Notices other than as contemplated by SECTION 5.2(c) hereof; (ii) cancel, reduce, excuse, defer, or abate the Capital Commitment of any Included Investor as provided in the Constituent Documents of such Credit Party; or (iii) excuse any Investor from or permit any Investor to defer any Capital Contribution under the Constituent Documents of such Credit Party, if the proceeds from the related Capital Call Notice are to be applied to the Obligation hereunder.

10.7 ERISA COMPLIANCE. Neither Credit Party shall establish or maintain any Plan. Without the approval of all Lenders, neither Credit Party will take any action that would cause it to fail to qualify as an Operating Company.

10.8 ENVIRONMENTAL MATTERS. Except for such conditions as are in or will

promptly be brought into compliance with relevant Environmental Laws, Borrower: (a) shall not cause and shall require that its tenants not cause any Hazardous Material to be generated, placed, held, located or disposed of on, under or at, or transported to or from, any Property of Borrower in material violation of Environmental Law; and (b) shall not permit and shall require that its tenants not cause any such Property to ever be used as a dump site or storage site (whether permanent or temporary) for any Hazardous Material in material violation of Environmental Law.

10.9 DISSOLUTION. Without the consent of all Lenders, neither Borrower nor Guarantor will take any action to terminate or dissolve Borrower or Guarantor.

10.10 LIMITATIONS ON DIVIDENDS AND DISTRIBUTIONS.

(a) Neither Credit Party shall declare or pay any dividends or distributions except as permitted under its Constituent Documents.

(b) Neither Credit Party shall declare or pay any dividends or distributions if: (i) any Event of Default exists; or (ii) a Potential Default related to SECTION 11.1(a) exists; provided, however, that each Credit Party shall have the right to make distributions or pay dividends in the ordinary course in order to ensure that Guarantor continues to qualify as a REIT.

(c) Guarantor shall not, while any Investor REIT Obligation is outstanding, make any payment to purchase, redeem, retire, or acquire any of its Capital Stock or any option, warrant, or other right to acquire such Capital Stock.

10.11 LIMITATION ON DEBT. Neither Borrower nor Guarantor shall incur: (a) any recourse Indebtedness (exclusive of the Obligation) secured by any of its assets; or (b) any Indebtedness not permitted by its Constituent Documents. Notwithstanding the foregoing, Borrower and Guarantor shall have the right to obtain Indebtedness secured by one or more Properties where such mortgage financing is nonrecourse to Borrower and Guarantor other than typical so-called "nonrecourse carve-outs" and shall have the right to incur Indebtedness for the purposes permitted in the Partnership Agreement as long as the total amount of such recourse Indebtedness does not exceed $25,000,000.

10.12 LIMITATION ON GENERAL PARTNER'S ACTIVITIES. The General Partner shall not take any actions that will cause the Borrower to dissolve, terminate, merge or consolidate. The General Partner shall not: (a) without the approval of all Lenders, take any actions that will materially adversely affect Borrower or the Collateral; or (b) without the approval of the Required Lenders, create or suffer to exist any mortgage, pledge, lien, or other security interest upon its Partnership Interest in Borrower, except for the security interest provided to Lenders pursuant to the terms of the Loan Documents; or (c) without the approval of the Required Lenders, transfer all or any part of its Partnership Interest in Borrower held as General Partner, except that General Partner may, so long as prior written notice is delivered to Administrative Agent, transfer its Partnership Interest in Borrower to an entity that is wholly-owned and controlled by AMB Property Corporation, without the consent of Administrative Agent or Lenders.

SECTION 11. EVENTS OF DEFAULT

11.1 EVENTS OF DEFAULT. An "EVENT OF DEFAULT" shall exist if any one or more of the following events (herein collectively called "EVENTS OF DEFAULT") shall occur and be continuing:

(a) (i) Borrower or any Qualified Borrower shall fail to pay when due any principal of the Obligation; or (ii) any Credit Party or any Qualified Borrower shall fail to pay when due any interest on the Obligation or any fee, expense, or other payment required hereunder, including, without limitation, payment of cash for deposit as cash collateral under SECTION 2.8(e), and such failure under

this CLAUSE (ii) shall continue for five (5) days following the date Administrative Agent notifies Borrower in writing of such failure (except for the failure to pay the Obligation in full on the Maturity Date for which no notice shall be required and except for the failure to prepay any amount required under SECTION 2.1(d) hereof for which no additional notice shall be required);

(b) any representation or warranty made by any Credit Party or any Qualified Borrower under this Credit Agreement, or any of the other

Loan Documents executed by either of them, or in any certificate or statement furnished or made to Lenders or any of them by any Credit Party pursuant hereto or in connection herewith or with the Loans, shall prove to be untrue or inaccurate in any material respect as of the date on which such representation or warranty is made and the adverse effect of the failure of such representation or warranty shall not have been cured within thirty (30) days after written notice thereof is delivered to Borrower by Administrative Agent;

(c) default shall occur in the performance of any of the covenants or agreements contained herein (other than the covenants contained in SECTIONS 2.1(d), 9.1(e), 9.13, 9.16, or SECTIONS 10.1 through 10.7 or 10.9 through 10.11, or SECTION 10.12(b) hereof), or of the covenants or agreements of any Credit Party or any Qualified Borrower contained in any other Loan Documents executed by such Person, and such default shall continue uncured to the satisfaction of Administrative Agent for a period of thirty (30) days after written notice thereof has been given by Administrative Agent to Borrower (provided that such 30 day cure period shall not apply respecting covenants relating to notices to be given by a Credit Party);

(d) default shall occur in the performance of the covenants or agreements of the Credit Parties contained in SECTION 10.8 hereof, and such default shall continue uncured to the satisfaction of Administrative Agent for a period of thirty (30) days after the earlier of: (i) written notice thereof has been given by Administrative Agent to Borrower; or (ii) Administrative Agent has been notified or should have been notified of such default pursuant to SECTION 9.4 or SECTION 9.5 hereof; provided that such thirty (30) -day period shall be extended (such extension not to exceed sixty (60) additional days) as to defaults which cannot reasonably be cured by the payment of money and are not reasonably capable of cure within such thirty (30) -day period, provided that Borrower has commenced to cure such default prior to the end of such thirty (30) -day period and prosecutes such cure to completion);

(e) default shall occur in the performance of any of the covenants or agreements of the Credit Parties contained in SECTIONS 2.1(d), 9.13, 9.16, or SECTIONS 10.1 through 10.7 or 10.9 through 10.11, or SECTION 10.12(b) hereof;

(f) default shall occur in the performance of any of the covenants or agreements of the Credit Parties contained in SECTION 9.1(e), and such default shall continue uncured for five (5) days;

(g) any of the Loan Documents executed by a Credit Party or any Qualified Borrower shall cease, in whole or in part, to be legal, valid, binding agreements enforceable against the Credit Parties or such Qualified Borrower, as the case may be, in accordance with the terms thereof or shall in any way be terminated or become or be declared ineffective or inoperative or shall in any way

whatsoever cease to give or provide the respective liens, security interest, rights, titles, interest, remedies, powers, or privileges intended to be created thereby;

(h) default shall occur in the payment of any recourse indebtedness or Guaranty Obligation of Borrower or Guarantor (other than the Obligation), in an aggregate amount of $10,000,000 or more, and such default shall continue for more than the applicable period of grace, if any; or any such indebtedness shall become due before its stated maturity by acceleration of the maturity thereof or shall become due by its terms and shall not be promptly paid or extended;

(i) Borrower, its General Partner, any Qualified Borrower or Guarantor shall: (i) apply for or consent to the appointment of a receiver, trustee, custodian, intervenor, or liquidator of itself or of all or a substantial part of its assets; (ii) file a voluntary petition in bankruptcy or admit in writing that it is unable to pay its debts as they become due; (iii) make a general assignment for the benefit of creditors; (iv) file a petition or answer seeking reorganization of an arrangement with creditors or to take advantage of any Debtor Relief Laws; (v) file an answer admitting the material allegations of, or consent to, or default in answering, a petition filed against it in any bankruptcy, reorganization or insolvency proceeding; or (vi) take partnership or corporate action for the purpose of effecting any of the foregoing;

(j) an order, order for relief, judgment or decree shall be entered by any court of competent jurisdiction or other competent authority approving a petition seeking reorganization of Borrower, its General Partner, any Qualified Borrower, or Guarantor, or appointing a

receiver, custodian, trustee, intervenor, or liquidator of Borrower, its General Partner, any Qualified Borrower or Guarantor, or of all or substantially all of its assets, and such order, judgment or decree shall continue unstayed and in effect for a period of sixty (60) days;

(k) any final judgment(s) for the payment of money in excess of the sum of $5,000,000 in the aggregate shall be rendered against Borrower, Guarantor or any Qualified Borrower and such judgment or judgments could have a Material Adverse Effect, unless covered by insurance and unless being appealed and the applicable Credit Party has posted a bond or cash collateral;

(l) there shall occur any change in the condition (financial or otherwise) of any Credit Party which, in the reasonable judgment of Administrative Agent, has a Material Adverse Effect;

(m) General Partner shall cease to be the sole general partner of Borrower or General Partner shall be removed as the general partner of Borrower;

(n) General Partner shall: (i) repudiate, challenge, or declare unenforceable its obligation to make contributions to the capital of Borrower pursuant to its Capital Commitments or shall otherwise disaffirm the provisions of the Partnership Agreement; or (ii) shall be in default in its obligations thereunder in its capacity as general partner, and such default in this item (ii) shall continue uncured for thirty (30) days after notice or other knowledge thereof;

(o) Guarantor shall: (i) repudiate, challenge, or declare unenforceable its obligation to make contributions to the capital of Borrower pursuant to its Capital Commitments or shall otherwise disaffirm the provisions of the Partnership Agreement; or (ii) shall default in its obligations to any

Shareholder under any Subscription Agreement, and such default in this item (ii) shall continue uncured for thirty (30) days after notice or other knowledge thereof;

(p) the issuance to Borrower of any administrative order by any Governmental Authority under any Environmental Law, or the issuance to Borrower of any injunctive order by any court under any Environmental Law, which, in Administrative Agent's reasonable judgment, will result in a Material Adverse Effect or

(q) Investors having Capital Commitments aggregating fifteen percent (15%) or greater of the aggregate Capital Commitments of all Investors shall default in their obligation to fund any Capital Call as required.

11.2 REMEDIES UPON EVENT OF DEFAULT. If an Event of Default shall have occurred and be continuing, then Administrative Agent may: (a) suspend the Commitments of Lenders until such Event of Default is cured; (b) terminate the Commitment of Lenders hereunder; (c) declare the principal of, and all interest then accrued on, the Obligation to be forthwith due and payable (including the liability to fund the Letter of Credit Liability pursuant to SECTION 2.8(e) hereof), whereupon the same shall forthwith become due and payable without presentment, demand, protest, notice of default, notice of acceleration, or of intention to accelerate or other notice of any kind all of which Borrower and Guarantor and each Qualified Borrower hereby expressly waives, anything contained herein or in any other Loan Document to the contrary notwithstanding; (d) exercise any right, privilege, or power set forth in SECTIONS 5.2 and 5.3 hereof, including, but not limited to, the initiation of Capital Call Notices of the Capital Commitments; or (e) without notice of default or demand, pursue and enforce any of Administrative Agent's or Lenders' rights and remedies under the Loan Documents, or otherwise provided under or pursuant to any applicable law or agreement; provided, however, that if any Event of Default specified in SECTIONS 11.1(i) or 11.1(j) hereof shall occur, the principal of, and all interest on, the Obligation shall thereupon become due and payable concurrently therewith, without any further action by Administrative Agent or Lenders, or any of them, and without presentment, demand, protest, notice of default, notice of acceleration, or of intention to accelerate or other notice of any kind, all of which Borrower, Guarantor, and each Qualified Borrower hereby expressly waives.

11.3 PERFORMANCE BY ADMINISTRATIVE AGENT. Should any Credit Party or any Qualified Borrower fail to perform any covenant, duty, or agreement contained herein or in any of the Loan Documents, and such failure continues beyond any applicable cure period, Administrative Agent may, but shall not be obligated to, perform or attempt to perform such covenant, duty, or agreement on behalf of such Person. In such event, each Credit Party or each such Qualified Borrower shall, at the request of Administrative Agent promptly pay any amount expended by Administrative Agent in such performance or attempted performance to

Administrative Agent at its principal office in San Francisco, together with interest thereon at the Default Rate from the date of such expenditure until paid. Notwithstanding the foregoing, it is expressly understood that neither Administrative Agent nor Lenders assume any liability or responsibility for the performance of any duties of Borrower, Guarantor or any Qualified Borrower, or any related Person hereunder or under any of the Loan Documents or other control over the management and affairs of Borrower, Guarantor or any Qualified Borrower, or any related Person, nor by any such action shall Administrative Agent or Lenders be deemed to create a partnership arrangement with any Credit Party, any Qualified Borrower, or any related Person.

SECTION 12. AGENTS

12.1 APPOINTMENT.

(a) AUTHORITY OF AGENTS. Each Lender hereby designates and appoints Bank of America, N.A. as Administrative Agent of such Lender to act as specified herein and the other Loan Documents, and each such Lender hereby authorizes the Administrative Agent, as the agent for such Lender, to take such action on its behalf under the provisions of this Credit Agreement and the other Loan Documents and to exercise such powers and perform such duties as are expressly delegated by the terms hereof and of the other Loan Documents, together with such other powers as are reasonably incidental thereto. Notwithstanding any provision to the contrary elsewhere herein and in the other Loan Documents, the Administrative Agent shall not have any duties or responsibilities, except those expressly set forth herein and therein, or any fiduciary relationship with any Lender, and no implied covenants, functions, responsibilities, duties, obligations or liabilities shall be read into this Credit Agreement or any of the other Loan Documents, or shall otherwise exist against the Administrative Agent. The provisions of this SECTION 12.1 are solely for the benefit of the Administrative Agent and the Lenders and none of the Credit Parties, any Qualified Borrower, General Partner, any Investor, or any Affiliate of the foregoing (a "BORROWER PARTY") shall have any rights as a third-party beneficiary of the provisions hereof (except for the provisions that explicitly relate to Borrower in SECTION 12.10). In performing its functions and duties under this Credit Agreement and the other Loan Documents, Administrative Agent shall act solely as an agent of the Lenders and does not assume and shall not be deemed to have assumed any obligation or relationship of agency or trust with or for any Borrower Party. Notwithstanding any provision to the contrary elsewhere herein and in the other Loan Documents, neither the Syndication Agent nor the Documentation Agent shall have any duties or responsibilities, or any fiduciary relationship, with any Lender, and no implied covenants, functions, responsibilities, duties, obligations or liabilities shall be read into this Credit Agreement or any of the other Loan Documents, or shall otherwise exist against the Syndication Agent or the Documentation Agent. Notwithstanding any provision to the contrary elsewhere herein and in the other Loan Documents, neither the Syndication Agent nor the Documentation Agent shall have any duties or responsibilities, or any fiduciary relationship, with any Lender, and no implied covenants, functions, responsibilities, duties, obligations or liabilities shall be read into this Credit Agreement or any of the other Loan Documents, or shall otherwise exist against the Syndication Agent or the Documentation Agent.

(b) RELEASE OF COLLATERAL. The Lenders irrevocably authorize Administrative Agent, at the Administrative Agent's option and in its discretion, to release any security interest in or Lien on any Collateral granted to or held by the Administrative Agent: (i) upon termination of this Credit Agreement and the other Loan Documents, termination of the Commitments and all Letters of Credit and payment in full of all of the Obligation, including all fees and indemnified costs and expenses that are then due and payable pursuant to the terms of the Loan Documents; and (ii) if approved by the Lenders pursuant to the terms of SECTION 13.1. Upon the request of Administrative Agent, the Lenders will confirm in writing Administrative Agent's authority to release particular types or items of Collateral pursuant to this SECTION 12.1(b).

12.2 DELEGATION OF DUTIES. Administrative Agent may execute any of its duties hereunder or under the other Loan Documents by or through agents or attorneys-in-fact and shall be entitled to advice of legal counsel, accountants, and other professionals selected by Administrative Agent concerning all matters pertaining to such duties. Administrative Agent shall not be responsible to any Lender for the negligence or misconduct of any agents or attorneys-in-fact

selected by it with reasonable care, nor shall it be liable for any action taken or suffered in good faith by it in accordance with the advice of such Persons.

12.3 EXCULPATORY PROVISIONS. Neither the Administrative Agent nor any of its officers, directors, employees, agents, attorneys-in-fact or affiliates shall be liable to any Lender for any action lawfully taken or omitted to be taken by it or such Person under or in connection herewith or in connection with any of the other Loan Documents (except for its or such Person's own gross negligence or willful misconduct) or responsible in any manner to any of the Lenders for any recitals, statements, representations or warranties made by any of the Borrower Parties contained herein or in any of the other Loan Documents or in any certificate, report, document, financial statement or other written or oral statement referred to or provided for in, or received by Administrative Agent under or in connection herewith or in connection with the other Loan Documents, or enforceability or sufficiency therefor of any of the other Loan Documents, or for any failure of a Borrower Party to perform its obligations hereunder or thereunder. Administrative Agent shall not be responsible to any Lender for the effectiveness, genuineness, validity, enforceability, collectibility or sufficiency of this Credit Agreement, or any of the other Loan Documents or for any representations, warranties, recitals or statements made herein or therein or made by any Borrower Party in any written or oral statement or in any financial or other statements, instruments, reports, certificates or any other documents in connection herewith or therewith furnished or made by Administrative Agent to the Lenders or by or on behalf of the Borrower Parties to the Administrative Agent or any Lender or be required to ascertain or inquire as to the performance or observance of any of the terms, conditions, provisions, covenants or agreements contained herein or therein or as to the use of the proceeds of the Loans or the use of the Letters of Credit or of the existence or possible existence of any Potential Default or Event of Default or to inspect the properties, books or records of the Borrower Parties. Administrative Agent is not a trustee for the Lenders and owes no fiduciary duty to the Lenders. Each Lender recognizes and agrees that Administrative Agent shall not be required to determine independently whether the conditions described in SECTIONS 7.2(a) or 7.2(b) have been satisfied and, when Administrative Agent disburses funds to Borrower or a Qualified Borrower, causes Letters of Credit to be issued or accepts any Borrower Guaranties, it may rely fully upon statements contained in the relevant requests by Borrower or a Qualified Borrower.

12.4 RELIANCE ON COMMUNICATIONS. Administrative Agent shall be entitled to rely, and shall be fully protected in relying, upon any note, writing, resolution, notice, consent, certificate, affidavit, letter, cablegram, telegram, telecopy, telex or teletype message, statement, order or other document or conversation believed by it to be genuine and correct and to have been signed, sent or made by the proper Person or Persons and upon advice and statements of legal counsel (including, without limitation, counsel to any of the Borrower Parties, independent accountants and other experts selected by Administrative Agent with reasonable care). Administrative Agent may deem and treat each Lender as the owner of its interests hereunder for all purposes unless a written notice of assignment, negotiation or transfer thereof shall have been filed with the Administrative Agent in accordance with SECTION 13.11(c). Administrative Agent shall be fully justified in failing or refusing to take any action under this Credit Agreement or under any of the other Loan Documents unless it shall first receive such advice or concurrence of the Lenders as it deems appropriate or it shall first be indemnified to its satisfaction by the Lenders against any and all liability and

expense which may be incurred by it by reason of taking or continuing to take any such action. Administrative Agent shall in all cases be fully protected in acting, or in refraining from acting, hereunder or under any of the other Loan Documents in accordance with a request of the Required Lenders (or to the extent specifically required, all the Lenders) and such request and any action taken or failure to act pursuant thereto shall be binding upon all the Lenders (including their successors and assigns).

12.5 NOTICE OF DEFAULT. Administrative Agent shall not be deemed to have knowledge or notice of the occurrence of any Potential Default or Event of Default hereunder unless Administrative Agent has received notice from a Lender or a Borrower Party referring to the Loan Document, describing such Potential Default or Event of Default and stating that such notice is a "notice of default." In the event that Administrative Agent receives such a notice, Administrative Agent shall give prompt notice thereof to the Lenders. Administrative Agent shall take such action with respect to such Potential Default or Event of Default as shall be reasonably directed by the Required Lenders and as is permitted by the Loan Documents.

12.6 NON-RELIANCE ON ADMINISTRATIVE AGENT AND LENDERS. Each Lender expressly acknowledges that neither Administrative Agent, BAS nor any of their officers, directors, employees, agents, attorneys-in-fact or affiliates has made any representations or warranties to it and that no act by the Administrative Agent or any affiliate thereof hereinafter taken, including any review of the affairs of any Borrower Party, shall be deemed to constitute any representation

or warranty by the Administrative Agent to any Lender. Each Lender represents to the Administrative Agent and BAS that it has, independently and without reliance upon the Administrative Agent or BAS or any other Lender, and based on such documents and information as it has deemed appropriate, made its own appraisal of and investigation into the business, assets, operations, property, financial and other conditions, prospects and creditworthiness of the Borrower Parties and made its own decision to make its Loans hereunder and enter into this Credit Agreement. Each Lender also represents that it will, independently and without reliance upon the Administrative Agent or BAS or any other Lender, and based on such documents and information as it shall deem appropriate at the time, continue to make its own credit analysis, appraisals and decisions in taking or not taking action under this Credit Agreement, and to make such investigation as it deems necessary to inform itself as to the business, assets, operations, property, financial and other conditions, prospects and creditworthiness of the Borrower Parties. Except for notices, reports and other documents expressly required to be furnished to the Lenders by the Administrative Agent hereunder, the Administrative Agent and BAS shall not have any duty or responsibility to provide any Lender with any credit or other information concerning the business, operations, assets, property, financial or other conditions, prospects or creditworthiness of the Borrower Parties which may come into the possession of the Administrative Agent, BAS or any of their officers, directors, employees, agents, attorneys-in-fact or affiliates.

12.7 INDEMNIFICATION. The Lenders agree to indemnify Administrative Agent in its capacity as such (to the extent not reimbursed by the Credit Parties and without limiting the obligation of the Credit Parties to do so), ratably according to their respective Pro Rata Shares, from and against any and all liabilities, obligations, losses, damages, penalties, actions, judgments, suits, costs, expenses or disbursements of any kind whatsoever which may at any time (including without limitation at any time following payment in full of the Obligation) be imposed on, incurred by or asserted against Administrative Agent in its capacity as such in any way relating to or arising out of this Credit Agreement or the other Loan Documents or any documents contemplated by or referred to herein or therein or the transactions contemplated hereby or thereby or any action taken or omitted by Administrative Agent under or in connection with any of the foregoing; provided

that no Lender shall be liable for the payment of any portion of such liabilities, obligations, losses, damages, penalties, actions, judgments, suits, costs, expenses or disbursements resulting from the gross negligence or willful misconduct of Administrative Agent. If any indemnity furnished to Administrative Agent for any purpose shall, in the opinion of Administrative Agent, be insufficient or become impaired, Administrative Agent may call for additional indemnity and cease, or not commence, to do the acts indemnified against until such additional indemnity is furnished. The agreements in this SECTION 12.7 shall survive the payment of the Obligation.

12.8 ADMINISTRATIVE AGENT IN ITS INDIVIDUAL CAPACITY. With respect to the Loans made and Letters of Credit issued and all obligations owing to it, Administrative Agent acting in its individual capacity shall have the same rights and powers under this Credit Agreement as any Lender and may exercise the same as though it were not an agent, and the terms "LENDER" and "LENDERS" shall include Administrative Agent in its individual capacity. Administrative Agent acting in its individual capacity and its affiliates may make loans to, accept deposits from and generally engage in any kind of business with Borrower or any other Borrower Party as though Administrative Agent were not an agent hereunder and without any duty to account therefor to the other Lenders.

12.9 SUCCESSOR AGENT. Administrative Agent may, at any time, resign upon twenty (20) days written notice to the Lenders and the Credit Parties. Upon any such resignation of the Administrative Agent, the Required Lenders shall have the right to appoint a successor Administrative Agent (subject, except when an Event of Default exists, to the consent of the Borrower, not to be unreasonably withheld). If no successor Administrative Agent shall have been so appointed by the Required Lenders, and shall have accepted such appointment, within sixty (60) days after the notice of resignation, then the retiring Administrative Agent shall select a successor Administrative Agent (subject, except when an Event of Default exists, to the consent of Borrower, not to be unreasonably withheld); provided such successor is an Eligible Assignee (or if no Eligible Assignee shall have been so appointed by the retiring Administrative Agent and shall have accepted such appointment, then the Lenders shall perform all obligations of the retiring Administrative Agent hereunder until such time, if any, as a successor Administrative Agent shall have been appointed and shall have accepted such appointment as provided for above). Upon the acceptance of any appointment as an Administrative Agent hereunder by a successor, such successor Administrative Agent shall thereupon succeed to and become vested with all the rights, powers, privileges and duties of the retiring Administrative Agent, and shall assume the duties and obligations of such retiring Administrative Agent, and the retiring Administrative Agent shall be discharged from its duties and obligations as Administrative Agent under this Credit Agreement and the other Loan Documents and the provisions of this SECTION 12.9

shall inure to its benefit as to any actions taken or omitted to be taken by it while it was Administrative Agent under this Credit Agreement.

12.10 RELIANCE BY CREDIT PARTIES. The Credit Parties and any Qualified Borrower shall be entitled to rely upon, and to act or refrain from acting on the basis of, any notice, statement, certificate, waiver or other document or instrument delivered by Administrative Agent to Borrower or such other Person so long as Administrative Agent is purporting to act in its respective capacity as Administrative Agent pursuant to this Credit Agreement, and the Credit Parties and the Qualified Borrowers shall not be responsible or liable to any Lender (or to any Participant, as defined in SECTION 13.11(b) hereof or to any Assignee, as defined in SECTION 13.11(c) hereof), or as a result of any action or failure to act (including actions or omissions which would otherwise constitute defaults hereunder) which is based upon such reliance upon Administrative Agent. The Credit Parties and the Qualified Borrowers shall be entitled to treat Administrative Agent as the properly

authorized Administrative Agent pursuant to this Credit Agreement until Borrower shall have received notice of resignation, and such Persons shall not be obligated to recognize any successor Administrative Agent until Borrower shall have received written notification satisfactory to it of the appointment of such successor.

SECTION 13. MISCELLANEOUS

13.1 AMENDMENTS. Neither this Credit Agreement nor any other Loan Document, nor any of the terms hereof or thereof, may be amended, waived, discharged or terminated, unless such amendment, waiver, discharge, or termination is in writing and signed by Administrative Agent (based upon the approval of the Required Lenders), or the Required Lenders, on the one hand, and the Credit Parties on the other hand; provided that no such amendment, waiver, discharge, or termination shall, without the consent of:

(a) each Lender affected thereby:

(i) reduce or increase the amount or alter the term of the Commitment of such Lender, or alter the provisions relating to any fees (or any other payments) payable to such Lender;

(ii) extend the time for payment for the principal of or interest on the Obligation, or fees or costs, or reduce the principal amount of the Obligation (except as a result of the application of payments or prepayments), or reduce the rate of interest borne by the Obligation (other than as a result of waiving the applicability of the Default Rate), or otherwise affect the terms of payment of the principal of or any interest on the Obligation or fees or costs hereunder;

(iii) release any liens granted under the Collateral Documents, except as otherwise contemplated herein or therein, and except in connection with the transfer of interests in Borrower permitted hereunder; and

(b) all Lenders:

(i) permit the cancellation, excuse or reduction of the Capital Commitment of any Included Investor;

(ii) amend the definition of "AVAILABLE COMMITMENT";

(iii) change the percentages specified in the definition of Required Lenders herein;

(iv) consent to the assignment or transfer by any Credit Party of any of its rights and obligations under (or in respect of) the Loan Documents; or

(v) amend the terms of this SECTION 13.1.

Notwithstanding the above: (A) no provisions of SECTION 12 may be amended or modified without the consent of Administrative Agent; (B) no provisions of SECTION 2.8 may be amended or modified without the consent of the Letter of Credit Issuer; and (C) SECTIONS 9 and 10 specify the requirements for waivers of the Affirmative Covenants and Negative Covenants listed therein, and any amendment to a provision of SECTION 9 or SECTION 10 shall require the consent of the Lenders that are specified therein as required for a waiver thereof.

Notwithstanding the fact that the consent of all the Lenders is required in certain circumstances as set forth above and in SECTION 10: (1) each Lender is entitled to vote as such Lender sees fit on any reorganization plan that affects the Loans or the Letters of Credit, and each Lender acknowledges that the provisions of Section 1126(c) of the Bankruptcy Code supersede the unanimous consent provisions set forth herein; (2) the Required Lenders may consent to allow a Borrower Party to use cash collateral in the context of a bankruptcy or insolvency proceeding; and (3) Administrative Agent may, in its sole discretion, agree to the modification or waiver of any of the other terms of this Credit Agreement or any other Loan Document or consent to any action or failure to act by Borrower, if such modification, waiver, or consent is of an administrative nature.

If Administrative Agent shall request the consent of any Lender to any amendment, change, waiver, discharge, termination, consent or exercise of rights covered by this Credit Agreement, and not receive such consent or denial thereof in writing within ten (10) Business Days of the making of such request by Administrative Agent, as the case may be, such Lender shall be deemed to have given its consent to the request.

13.2 SHARING OF OFFSETS. Each Lender and Administrative Agent agrees that if it shall, through the exercise of any right of counterclaim, offset, banker's lien or otherwise, receive payment of a portion of the aggregate amount of principal, interest and fees due to such Lender hereunder which constitutes a greater proportion of the aggregate amount of principal, interest and fees then due to such Lender hereunder or under its Note than the proportion received by any other Lender in respect of the aggregate amount of principal, interest and fees due with respect to such other Lender's Note or the Obligation to such Lender under this Credit Agreement, then such Lender shall purchase participations in the Obligation under this Credit Agreement held by such other Lenders so that all such recoveries of principal, interest and fees with respect to this Credit Agreement, the Notes and the Obligation thereunder held by Lenders shall be pro rata according to each Lender's Commitment (determined as of the date hereof and regardless of any change in any Lender's Commitment caused by such Lender's receipt of a proportionately greater or lesser payment hereunder).

13.3 SHARING OF COLLATERAL. To the extent permitted by applicable law, each Lender and Administrative Agent, in its capacity as a Lender, agrees that if it shall, through the receipt of any proceeds from a Capital Call or the exercise of any remedies under any Collateral Documents, receive or be entitled to receive payment of a portion of the aggregate amount of principal, interest and fees due to it under this Credit Agreement which constitutes a greater proportion of the aggregate amount of principal, interest and fees then due to such Lender under this Credit Agreement or its Note than the proportion received by any other Lender in respect of the aggregate amount of principal, interest and fees due with respect to any other Lender's Note or the Obligation to such Lender under this Credit Agreement, then such Lender or Administrative Agent, in its capacity as a Lender, as the case may be, shall purchase participations in the

Obligation under this Credit Agreement held by such other Lenders so that all such recoveries of principal, interest and fees with respect to this Credit Agreement, the Notes and the Obligation thereunder held by Lenders shall be pro rata according to each Lender's Commitment (determined as of the date hereof and regardless of any change in any Lender's Commitment caused by such Lender's receipt of a proportionately greater or lesser payment hereunder). Each Lender hereby authorizes and directs Administrative Agent to coordinate and implement the sharing of collateral contemplated by this SECTION 13.3 prior to the distribution of proceeds from Capital Calls or proceeds from the exercise of remedies under the Collateral Documents prior to making any distributions of such proceeds to each Lender or Administrative Agent, in their respective capacity as Lenders.

13.4 WAIVER. No failure to exercise, and no delay in exercising, on the part of Agents or Lenders, any right hereunder shall operate as a waiver thereof, nor shall any single or partial exercise thereof preclude any other further exercise thereof or the exercise of any other right. The rights of Agents and Lenders hereunder and under the Loan Documents shall be in addition to all other rights provided by law. No modification or waiver of any provision of this Credit Agreement, the Notes or any of the other Loan Documents, nor consent to departure therefrom, shall be effective unless in writing and no such consent or waiver shall extend beyond the particular case and purpose involved. No notice or demand given in any case shall constitute a waiver of the right to take other action in the same, similar or other instances without such notice or demand. Subject to SECTION 13.1, Administrative Agent acting on behalf of all Lenders, and the Credit Parties may from time to time enter into agreements amending or changing any provision of this Credit Agreement or the rights of Lenders or the Credit Parties hereunder, or may grant waivers or consents to a departure from the due performance of the obligations of the Credit Parties

hereunder, any such agreement, waiver or consent made with such written consent of Administrative Agent being effective to bind all Lenders, except as provided in SECTION 13.1.

13.5 PAYMENT OF EXPENSES; INDEMNITY.

(a) Borrower agrees to pay (within five (5) days after the receipt of written notice from Administrative Agent) all out-of-pocket costs and expenses of Administrative Agent (including without limitation the reasonable fees and expenses of Administrative Agent's legal counsel) reasonably incurred by it in connection with the negotiation, preparation, execution and delivery of this Credit Agreement, the Notes, and the other Loan Documents and any and all amendments, modifications and supplements thereof or thereto, and, if an Event of Default exists, all out-of-pocket costs and expenses of Administrative Agent and Lenders (including, without limitation, the reasonable attorneys' fees of Administrative Agent's and Lenders' legal counsel) reasonably incurred by them in connection with the presentation and enforcement of, and Administrative Agents' and Lenders' rights under, this Credit Agreement, the Notes, and the other Loan Documents.

(b) Borrower agrees to indemnify Administrative Agent and each of Lenders and their respective directors, officers, employees, attorneys and agents (each such Person, including without limitation Agent and each of Lenders, being called an "INDEMNITEE") against, and to hold each Indemnitee harmless from, any and all losses, claims, actions, judgments, suits, disbursements, penalties, damages (other than consequential damages), liabilities and related expenses, including reasonable counsel fees and expenses, incurred by or asserted against any Indemnitee arising out of, in any way connected with, or as a result of:

(i) the execution and delivery of this Credit Agreement or any other Loan Document or any agreement or instrument contemplated thereby,

(ii) the use or misuse of the proceeds of the Loans,

(iii) the fraudulent actions or misrepresentations of any Credit Party or its Affiliates in connection with the transactions contemplated by this Credit Agreement and the other Loan Documents, or

(iv) any claim, litigation, investigation or proceeding relating to any of the foregoing, whether or not any Indemnitee is a party thereto;

provided, however, that such indemnity shall not, as to any Indemnitee, apply to any such losses, claims, actions, judgments, suits, disbursements, penalties, damages, liabilities or related expenses arising from gross negligence or willful misconduct of such Indemnitee.

(c) In addition to and without limiting the foregoing, the Credit Parties hereby indemnify and hold the Indemnitees harmless from and against, and agree to reimburse any Indemnitee on demand for, and agree to defend the Indemnitees against, any and all Environmental Damages (as hereinafter defined), incurred by Administrative Agent or a Lender. WITHOUT LIMITATION, THE FOREGOING INDEMNITY SHALL APPLY TO EACH INDEMNITEE WITH RESPECT TO ENVIRONMENTAL DAMAGES WHICH IN WHOLE OR IN PART ARE CAUSED BY OR ARISE OUT OF THE NEGLIGENCE OF SUCH (OR ANY OTHER) INDEMNITEE. HOWEVER, SUCH INDEMNITY SHALL NOT APPLY TO A PARTICULAR INDEMNITEE TO THE EXTENT THAT THE SUBJECT OF THE INDEMNIFICATION IS CAUSED BY OR ARISES OUT OF THE GROSS NEGLIGENCE OR WILLFUL MISCONDUCT OF THAT PARTICULAR INDEMNITEE.

The term "ENVIRONMENTAL DAMAGES" means all claims, demands, liabilities (including strict liability), losses, damages (including consequential damages), causes of action, judgments, penalties, fines, costs and expenses (including reasonable fees, costs and expenses of attorneys, consultants, contractors, experts and laboratories), of any and every kind or character, contingent or otherwise, matured or unmatured, known or unknown, direct or indirect, foreseeable or unforeseeable, made, incurred, suffered or brought at any time and from time to time and arising in whole or in part from:

(i) The presence of any Hazardous Material on any Property, or any escape, seepage, leakage, spillage, emission, release, discharge or disposal of any Hazardous Material on or from any Property, or the migration or release or threatened migration or release of any Hazardous Material to, from or through any Property; or

(ii) Any act, omission, event or circumstance existing or occurring in connection with the handling, treatment, containment, removal, storage, decontamination, clean-up, transport or disposal of any Hazardous Material by Borrower, or any party for whose actions Borrower is liable or in connection with any Property; or

(iii) The breach of any representation, warranty, covenant or agreement contained in SECTION 8.15 (to the extent such breach relates to Environmental Requirements), SECTION 8.16 or SECTION 9.9 (to the extent such breach relates to Environmental Requirements), or SECTION 10.8 of this Credit Agreement; or

(iv) Any violation of any Environmental Requirement, regardless of whether any act, omission, event or circumstance giving rise to the violation constituted a violation at the time of the occurrence or inception of such act, omission, event or circumstance; or

(v) Any Environmental Liability with respect to any Property, or the filing or imposition of any Environmental Lien against any Property, because of, resulting from, in connection with, or arising out of any of the matters referred to in SUBSECTIONS (i) through (iv) preceding.

(d) WITHOUT LIMITATION OF AND SUBJECT TO THE FOREGOING, EACH CREDIT PARTY INTENDS AND AGREES THAT THE FOREGOING INDEMNITIES SHALL APPLY TO EACH INDEMNITEE WITH RESPECT TO ALL CLAIMS, DAMAGES, LOSSES, LIABILITIES, AND EXPENSES (INCLUDING, WITHOUT LIMITATION, THE REASONABLE FEES AND EXPENSES OF COUNSEL) WHICH IN WHOLE OR IN PART ARE CAUSED BY OR ARISE OUT OF THE NEGLIGENCE OR CLAIMS OF NEGLIGENCE OF SUCH OR ANY OTHER INDEMNITEE OR ANY STRICT LIABILITY OR CLAIMS OF STRICT LIABILITY.

(e) The provisions of this SECTION 13.5 shall remain operative and in full force and effect regardless of the expiration of the Commitment Period, the consummation of the transactions contemplated hereby, the repayment of the Loans, the occurrence of the Commitment Termination Date, the invalidity, illegality, or unenforceability of any term or provision of this Credit Agreement or any other Loan Document, or any investigation made by or on behalf of Lenders. All amounts due under this SECTION 13.5 shall be payable promptly on written demand therefor.

13.6 NOTICE. Any notice, demand, request or other communication which any party hereto may be required or may desire to give hereunder shall be in writing (except where telephonic instructions or notices are expressly authorized herein to be given) and shall be deemed to be effective: (a) if by hand delivery, telecopy or other facsimile transmission, on the day and at the time on which delivered to such party at the address or fax numbers specified below; (b) if by mail, on the day which it is received after being deposited, postage prepaid, in the United States registered or certified mail, return receipt requested, addressed to such party at the address specified below; or (c) if by FedEx or other reputable express mail service, on the next Business Day following the delivery to such express mail service, addressed to such party at the address set forth below; or (d) if by telephone, on the day and at the time communication with one of the individuals named below occurs during a call to the telephone number or numbers indicated for such party below:

If to Borrower or Guarantor:

Pier 1, Bay 1
San Francisco, CA 94111
Telephone: 415-394-9000
Fax: 415-394-9001
Attention: Chief Financial Officer

With a copy to:

Goodwin Procter, LLP
Exchange Place
Boston, MA 02109
Telephone: 617-570-1000
Fax: 617-227-8591
Attention: David Watson, Esq.

If to Administrative Agent:

Bank of America, N.A.
600 Montgomery Street
22(nd) Floor
San Francisco, CA 94111
Telephone: 415-913-3568
Fax: 415-913-3445
Attention: Donald H. Moses

If to Lenders:

At the address and numbers set forth below the signature of such Lender on the signature page hereof or on the Assignment and Acceptance Agreement of such Lender.

Any party may change its address for purposes of this Credit Agreement by giving notice of such change to the other parties pursuant to this SECTION 13.6. With respect to any notice received by Administrative Agent from any Credit Party, any Investor, or any Qualified Borrower not otherwise addressed herein, Administrative Agent shall notify Lenders promptly of the receipt of such notice, and shall provide copies thereof to Lenders. When determining the prior days notice required for any Request for Borrowing, Request for Letter of Credit, or other notice to be provided by a Credit Party, an Investor, or a Qualified Borrower hereunder, the day the notice is delivered to Administrative Agent (or such other applicable Person) shall not be counted, but the day of the related Borrowing, issuance of Letter of Credit, or other relevant action shall be counted.

13.7 GOVERNING LAW. Pursuant to Section 5-1401 of the New York General Obligations Law, the substantive laws of the State of New York applicable to agreements made and to be performed entirely within such state, without regard to the choice of law principles that might otherwise apply, except to the

extent the laws of another jurisdiction govern the creation, perfection, validity, or enforcement of Liens under the Collateral Documents, and the applicable federal laws of the United States of America, shall govern the validity, construction, enforcement and interpretation of this Credit Agreement and all of the other Loan Documents.

13.8 CHOICE OF FORUM; CONSENT TO SERVICE OF PROCESS AND JURISDICTION; WAIVER OF TRIAL BY JURY. Any suit, action or proceeding against Borrower, any Qualified Borrower or General Partner with respect to this Credit Agreement, the Notes or the other Loan Documents or any judgment entered by any court in respect thereof, may be brought in the courts of the State of New York, or in the United States Courts located in the Borough of Manhattan in New York City, pursuant to Section 5-1402 of the New York General Obligations Law, as Lenders in their sole discretion may elect and each of each Credit Party, General Partner and each Qualified Borrower hereby submits to the non-exclusive jurisdiction of such courts for the purpose of any such suit, action or proceeding. Each Credit Party, General Partner and each Qualified Borrower hereby agrees that service of all writs, process and summonses in any such suit, action or proceeding brought in the State of New York may be brought upon its process agent appointed below, and each Credit Party, General Partner and each Qualified Borrower hereby irrevocably appoints Corporation Service Company, 80 State Street, Albany, NY 12207-2543, its process agent, as its true and lawful attorney-in-fact in its name, place and stead to accept such service of any and all such writs, process and summonses. Borrower, General Partner and each Qualified Borrower hereby irrevocably consents to the service of process in any suit, action or proceeding in said court by the mailing thereof by Lender by registered or certified mail, postage prepaid, to Borrower's address set forth in SECTION 13.6 hereof. Guarantor hereby irrevocably consents to the service of process in any suit, action or proceeding in said court by the mailing thereof by Lender by registered or certified mail, postage prepaid, to Guarantor's address set forth in SECTION 13.6 hereof. Each Credit Party, General Partner and each Qualified Borrower hereby irrevocably waives any objections which it may now or hereafter have to the laying of venue of any suit, action or proceeding arising out of or relating to this Credit Agreement or the Notes brought in the courts located in the State of New York, Borough of Manhattan in New York City, and hereby further irrevocably waives any claim that any such suit, action or proceeding brought in any such court has been brought in an inconvenient forum. EACH CREDIT PARTY, GENERAL PARTNER AND EACH QUALIFIED BORROWER HEREBY WAIVES TRIAL BY JURY IN ANY SUIT, ACTION OR PROCEEDING BROUGHT IN CONNECTION WITH THIS CREDIT AGREEMENT, THE NOTES OR ANY OF THE OTHER LOAN DOCUMENTS, WHICH WAIVER IS INFORMED AND VOLUNTARY.

13.9 INVALID PROVISIONS. If any provision of this Credit Agreement is held to be illegal, invalid, or unenforceable under present or future laws effective during the term of this Credit Agreement, such provision shall be fully severable and this Credit Agreement shall be construed and enforced as if such illegal, invalid or unenforceable provision had never comprised a part of

this Credit Agreement, and the remaining provisions of this Credit Agreement shall remain in full force and effect and shall not be affected by the illegal, invalid or unenforceable provision or by its severance from this Credit Agreement, unless such continued effectiveness of this Credit Agreement, as modified, would be contrary to the basic understandings and intentions of the parties as expressed herein. If any provision of this Credit Agreement shall conflict with or be inconsistent with any provision of any of the other Loan Documents, then the terms, conditions and provisions of this Credit Agreement shall prevail.

13.10 ENTIRETY AND AMENDMENTS. The Loan Documents embody the entire agreement between the parties and supersede all prior agreements and understandings, if any, relating to the subject matter hereof and thereof, and this Credit Agreement and the other Loan Documents may be amended only by an instrument in writing executed by the Credit Parties and Administrative Agent, on behalf of Lenders.

13.11 PARTIES BOUND; ASSIGNMENT.

(a) PARTIES BOUND. The provisions of this Credit Agreement shall be binding upon and inure to the benefit of the parties hereto and their respective successors and assigns, except that neither the Credit Parties nor any Qualified Borrower may assign or otherwise transfer any of their respective rights under this Credit Agreement without the prior written consent of all Lenders.

(b) PARTICIPATIONS. Any Lender may at any time grant to one or more banks or other institutions (each a "PARTICIPANT") a participating interest in its Commitment or any or all of its Loans, provided that any such participation shall be in a minimum amount of $5,000,000, and, if in a greater amount, in integral multiples of $1,000,000. In the event of any such grant by a Lender of a participating interest to a Participant, such Lender shall remain responsible for the performance of its obligations hereunder, and the Credit Parties and Administrative Agent shall continue to deal solely and directly with such Lender in connection with such Lender's rights and obligations under this Credit Agreement. Any agreement pursuant to which any Lender may grant such a participating interest shall provide that such Lender shall retain the sole right and responsibility to enforce the Obligation including, without limitation, the right to approve any amendment, modification or waiver of any provision of this Credit Agreement. The Credit Parties agree that each Participant shall be entitled to the benefits of SECTIONS 4, and 5.3 hereof with respect to its participating interest, provided, however, that in no event shall Borrower be obligated to pay to such Participant amounts greater than those Borrower would have been required to pay to the granting Lender in the absence of such participation. An assignment or other transfer which is not permitted by SUBSECTION (c) below shall be given effect for purposes of this Credit Agreement only to the extent of a participating interest granted in accordance with this SUBSECTION (b).

(c) ASSIGNMENTS. Any Lender may (at its expense, except for assignments to or from Administrative Agent, which shall be at the expense of Borrower pursuant to the terms of this Credit Agreement), and, following a demand by Borrower (following a demand by such Lender for payment of any amounts under SECTION 4.6) shall, at any time assign to one or more Eligible Assignees (an "ASSIGNEE") all, or a proportionate part of all (in a constant, not varying percentage), of its rights and obligations under this Credit Agreement and its Note, and such Assignee shall assume such rights and obligations, pursuant to an Assignment and Acceptance Agreement; provided, however, that:

(i) this SECTION 13.11(c) shall not restrict an assignment or other transfer by any Lender to a Federal Reserve Bank, but no such assignment to a Federal Reserve Bank shall release the assigning Lender from its obligations hereunder;

(ii) except in the case of an assignment to another Lender, or the assignment of all of a Lender's rights and obligations under this Credit Agreement, any assignment shall

be in a minimum amount of $5,000,000, and, if in a greater amount, in integral multiples of $1,000,000;

(iii) if the assignee is not incorporated under the laws of the United States of America or a state thereof, it shall deliver to Borrower and Administrative Agent certification as to

exemption from deduction or withholding of Taxes in accordance with SECTION 4.6;

(iv) the parties to each such assignment shall execute and deliver to Administrative Agent an Assignment and Acceptance Agreement, the Assignee shall pay to the transferor Lender an amount equal to the purchase price agreed between such transferor Lender and such Assignee, and the transferor Lender shall deliver payment of a processing and recordation fee of $3,500 to Administrative Agent (except in the case of a transfer at the demand of Borrower, in which case either Borrower or the transferee Lender shall pay such fee);

(v) each assignment made as a result of a demand by Borrower shall be arranged by Borrower after consultation with Administrative Agent and shall be either an assignment of all of the rights and obligations of the assigning Lender under this Credit Agreement or an assignment of a portion of such rights and obligations made concurrently with another assignment or assignments that together constitute an assignment of all of the rights and obligations of the assigning Lender; and

(vi) Bank of America shall retain a Commitment equal to or exceeding the Commitment of the Lender with the otherwise highest Commitment.

(d) CONSEQUENCES OF ASSIGNMENT. Upon execution and delivery of such Assignment and Acceptance Agreement and payment by such Assignee to such transferor Lender of an amount equal to the purchase price agreed between such transferor Lender and such Assignee, such Assignee shall be a Lender party to this Credit Agreement and shall have all the rights and obligations of a Lender with a Commitment as set forth in such Assignment and Acceptance Agreement, and the transferor Lender shall be released from its obligations hereunder to a corresponding extent, and no further consent or action by any party shall be required. Upon the consummation of any assignment pursuant to this SECTION 13.11(c), the transferor Lender, Administrative Agent and Borrower shall make appropriate arrangements so that, if required, new Notes are issued to such Assignee and the transferor Lender.

(e) REGISTER OF LENDERS. Administrative Agent shall maintain at its principal offices in San Francisco or at such other location as Administrative Agent shall designate in writing to each Lender and Borrower, a copy of each Assignment and Acceptance Agreement delivered to and accepted by it and a register for the recordation of the names and addresses of Lenders, the amount of each Lender's Pro Rata Share of the Commitments and the Loans, and the name and address of each Lender's agent for service of process in New York City (the "REGISTER"). The entries in the Register shall be conclusive and binding for all purposes, absent manifest error, and Credit Party, Administrative Agent and Lenders shall treat each person or entity whose name is recorded in the

Register as a Lender hereunder for all purposes of this Credit Agreement. The Register shall be available for inspection and copying by Borrower or any Lender during normal business hours upon reasonable prior notice to Administrative Agent. A Lender may change its address and its agent for service of process upon written notice to Administrative Agent, which notice shall be effective upon actual receipt by Administrative Agent, which receipt will be acknowledged by Administrative Agent upon request. Upon receipt of any Assignment and Acceptance Agreement Administrative Agent shall, if such Assignment and Acceptance Agreement has been completed, fully-executed and is substantially in the form of EXHIBIT O hereto: (i) accept such an Assignment and Acceptance Agreement; (ii) record the information contained therein in the Register and (iii) give prompt notice thereof to Borrower.

(f) DISCLOSURE OF INFORMATION. Any Lender may furnish any information concerning the Credit Parties, General Partner, or any Investor in the possession of such Lender from time to time to assignees and participants (including prospective assignees and participants), subject, however, to the provisions of SECTION 13.17 hereof.

13.12 LENDER DEFAULT. If for any reason any Lender shall fail or refuse to abide by its obligations hereunder, and such Lender shall not have cured such failure within five (5) Business Days of its occurrence (a "LENDER DEFAULT"), then, in addition to the rights and remedies that may be available to Agents, Lenders, or Borrower at law or in equity, such Lender's right to vote on matters related to this Credit Agreement, and to participate in the administration of the Loans, the Letters of Credit, and this Credit Agreement, shall be suspended

during the pendency of such failure or refusal. Administrative Agent shall have the right, but not the obligation, in its sole discretion, to acquire at par all of such Lender's Commitment, including its Pro Rata Share in the Obligation under this Credit Agreement. In the event that Administrative Agent does not exercise its right to so acquire all of such Lender's interests, then the other Agents and each Lender that is not in Default (a "CURRENT PARTY") shall then, thereupon, have the right, but not the obligation, in its sole discretion to acquire at par (or if more than one Current Party exercises such right, each Current Party shall have the right to acquire, pro rata) such Lender's Commitment, including its Pro Rata Share in the outstanding Obligation under this Credit Agreement.

13.13 MAXIMUM INTEREST. Regardless of any provision contained in any of the Loan Documents, Lenders shall never be entitled to receive, collect or apply as interest on the Obligation any amount in excess of the Maximum Rate, and, in the event that Lenders ever receive, collect or apply as interest any such excess, the amount which would be excessive interest shall be deemed to be a partial prepayment of principal and treated hereunder as such; and, if the principal amount of the Obligation is paid in full, any remaining excess shall forthwith be paid to Borrower or the applicable Qualified Borrower. In determining whether or not the interest paid or payable under any specific contingency exceeds the Maximum Rate, Borrower and Lenders shall, to the maximum extent permitted under applicable law: (a) characterize any nonprincipal payment as an expense, fee or premium rather than as interest; (b) exclude voluntary prepayments and the effects thereof; and (c) amortize, prorate, allocate and spread, in equal parts, the total amount of interest throughout the entire contemplated term of the Obligation so that the interest rate does not exceed the Maximum Rate; provided that, if the Obligation is paid and performed in full prior to the end of the full contemplated term thereof, and if the interest received for the actual period of existence thereof exceeds the Maximum Rate, Lenders shall refund to Borrower or the applicable Qualified Borrower the amount of such excess or credit the amount of such excess against the principal amount of the Obligation and, in such event,

Lenders shall not be subject to any penalties provided by any laws for contracting for, charging, taking, reserving or receiving interest in excess of the Maximum Rate.

13.14 HEADINGS. Section headings are for convenience of reference only and shall in no way affect the interpretation of this Credit Agreement.

13.15 SURVIVAL. All representations and warranties made by the Credit Parties and the Qualified Borrowers herein shall survive delivery of the Notes, the making of the Loans and the issuance of the Letters of Credit.

13.16 LIMITED LIABILITY OF PARTNERS. Except with respect to any losses arising from Borrower's or General Partner's intentional misrepresentation hereunder, fraud, or willful misapplication of proceeds in contravention of this Credit Agreement, for which there shall be full recourse to General Partner, none of the Partners, including the General Partner, shall have any personal, partnership, corporate or trust liability for the payment or performance of the Obligation. Nothing contained in this SECTION 13.16 or in any of the other provisions of the Loan Documents shall be construed to limit, restrict, or impede the obligations, the liabilities, and indebtedness of Borrower, or of any Investor to make its Capital Contributions to Borrower or Guarantor, in accordance with the terms of the Partnership Agreement, or the Articles of Incorporation and Subscription Agreements, as applicable, or pursuant to the terms of such Investor's Investor Letter. Nothing contained in this SECTION 13.16 shall be deemed to expressly or implicitly limit or modify the liability of each Qualified Borrower to Lenders under the Qualified Borrower Notes; provided, however, that such liability shall not extend beyond such Qualified Borrower and its properties and assets. Notwithstanding anything contained in this SECTION 13.16, the payment and performance of the Obligation shall be fully recourse to Borrower (but not Borrower's General Partner) and its properties and assets.

13.17 AVAILABILITY OF RECORDS; CONFIDENTIALITY. Borrower acknowledges and agrees that Administrative Agent may provide to Lenders, and that Administrative Agent and each Lender may provide to any Participant or Assignee or proposed Participant or Assignee, originals or copies of this Credit Agreement, all Loan Documents and all other documents, certificates, opinions, letters of credit, reports, and other material information of every nature or description, and may communicate all oral information, at any time submitted by or on behalf of any Credit Party, any Investor, or any Qualified Borrower or received by any of Agents or a Lender in connection with the Loans, the Letter of Credit Liability, the Commitments or a Credit Party; provided, however, that, prior to any such delivery or communication, the Lender, Participant, or Assignee, as the case may be, shall agree to preserve the confidentiality of all data and information which constitutes Confidential Information. Anything herein to the contrary notwithstanding, the provisions of this SECTION 13.17 shall not preclude or restrict any such party from disclosing any Confidential

Information: (a) with the prior written consent of the appropriate Credit Party; (b) upon the order of or pursuant to the rules and regulations of any Governmental Authority having jurisdiction over such party; (c) in connection with any audit by an independent public accountant of such party, provided such auditor thereto agrees to be bound by the provisions of this SECTION 13.17; (d) to examiners or auditors of any applicable Governmental Authority which examines such party's books and records while conducting such examination or audit; or (e) as otherwise specifically required by law.

13.18 MULTIPLE COUNTERPARTS. This Credit Agreement may be executed in any number of counterparts, all of which taken together shall constitute one and the same agreement, and any of the parties hereto may execute this Credit Agreement by signing any such counterpart.

REMAINDER OF PAGE INTENTIONALLY LEFT BLANK
SIGNATURE PAGES FOLLOW.

IN WITNESS WHEREOF, the parties hereto have caused this Credit Agreement to be duly executed as of the day and year first above written.

BORROWER:

AMB INSTITUTIONAL ALLIANCE FUND II, L.P.

By: AMB Property, L.P., its general partner

By: AMB Property Corporation, its general partner

By: /s/ GAYLE P. STARR

Name: Gayle P. Starr
Title: V.P. Capital Markets

GUARANTOR:

AMB INSTITUTIONAL ALLIANCE REIT II, INC.

By: /s/ ROBERT JOHNSON JR.

Name: Robert Johnson Jr.
Title: Senior V.P.

Revolving Credit Agreement Signature Page

ADMINISTRATIVE AGENT:

Commitment: $25,000,000

BANK OF AMERICA, N.A., as Administrative Agent and a Lender

By: /s/ ROBERT N. ALLEN

Name: Robert N. Allen
Title: Principal

600 Montgomery Street
22nd Floor
San Francisco, CA 94111
Attention: Donald H. Moses
Telephone: 415-913-3568
Fax: 415-913-3445
Email: donald.h.moses@bankofamerica.com

SYNDICATION AGENT:

Commitment: $22,500,000

DRESDNER BANK AG, NEW YORK AND GRAND CAYMAN BRANCHES, as Syndication Agent and a Lender

By: /s/ TOM MALKASIAN

Name: Tom Malkasian
Title: Vice President

By: /s/ GABE POTYONDY

Name: Gabe Potyondy
Title: Assistant Vice President

75 Wall Street
New York, NY 10005
Attention: Stephen Bae
Telephone: (212) 429-2952
Fax: (212) 429-2130
Email: sbae@dresdner.com

DOCUMENTATION AGENT:

Commitment: $20,000,000

BANK ONE, NA, as Documentation Agent and a Lender

By: /s/ TIMOTHY J. CAREW

Name: Timothy J. Carew
Title: Director, Capital Markets

Mail Code IL1-0315
1 Bank One Plaza, 14th Floor
Chicago, IL 60670-0315
Attention: Timothy J. Carew
Telephone: (312) 732-5419
Fax: (312) 732-5939
Email: Timothy_Carew@bankone.com

LENDERS:

Commitment: $17,500,000

BANK HAPOALIM B.M.

By: /s/ LAURA ANNE RAFFA /s/ SHAUN BREIDBART

Name: Laura Anne Raffa — Shaun Breidbart
Title: Senior Vice President Corporate Manager — Vice President

1177 Avenue of the Americas
New York, NY 10036
Attention: Gabriel Lubiner
Telephone: (212) 782-2197
Fax: (212) 782-2382
Email: glubiner@hapoalimusa.com

Commitment: $17,500,000

THE GOVERNOR AND COMPANY OF THE BANK OF IRELAND

By: /s/ NIAMH O'FLYNN

Name: NIAMH O'FLYNN
Title: MANAGER

LaTouche House
International Financial Services Centre
Custom House Docks
Dublin 1 Ireland
Attention: Kieran Rockett
Telephone: 011 (3531) 609-3476
Fax: 011 (3531) 829-0129
Email: kieran.rockett@boi.ie

Commitment: $17,500,000

PNC BANK, NATIONAL ASSOCIATION

By: /s/ LOUIS A. STEMPKOWSKI

Name: Louis A. Stempkowski
Title: Vice President

One PNC Plaza
249 Fifth Avenue

P1-POPP-19-2
Pittsburgh, PA 15222
Attention: Leo C. Beek
Telephone: (412) 762-3125
Fax: (412) 768-5754
Email: Leo.Beck@PNCBank.com:

Commitment $15,000,000

CHANG HWA COMMERCIAL BANK, LTD.,
NEW YORK BRANCH

By: /s/ MING-HSIEN LIN

Name: Ming-Hsien Lin
Title: VP & General Manager

One World Trade Center
Suite 3211
New York, NY 10048
Attention: Vivian Chen
Telephone: (212) 390-7040, Ext. 48
Fax: (212) 390-0120
Email: c.changhwa@worldnet.att.net

Commitment: $15,000,000

ISRAEL DISCOUNT BANK OF NEW YORK

By: /s/ BARRY SHIVAK

Name: BARRY SHIVAK
Title: VICE PRESIDENT

By: /s/ MITCHELL BROTH

Name: MITCHELL BROTH
Title: VICE PRESIDENT

511 Fifth Avenue
New York, NY 10017
Attention: Laury M. Quiles
Telephone: (212) 551-8596
Fax: (212) 551-8872
Email: LQuiles@idbny.com

Attention: Barry Shivak
Telephone: (212) 551-8829
Fax: (212) 551-8567
Email: BShivak@idbny.com