Table of Contents

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 June 30, 2002

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 August 2, 2002, there were 83,422,325 shares of the Registrant’s common stock, $0.01 par value per share, outstanding.

TABLE OF CONTENTS

PART I

- Item 1. Financial Statements
  - CONDENSED CONSOLIDATED BALANCE SHEETS
  - CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS
  - CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
  - CONDENSED CONSOLIDATED STATEMENT OF STOCKHOLDERS' EQUITY
  - NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
- Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations
- Item 3. Quantitative and Qualitative Disclosures About Market Risk

PART II

- Item 1. Legal Proceedings
- Item 2. Changes in Securities and Use of Proceeds
- Item 3. Defaults Upon Senior Securities
- Item 4. Submission of Matters to a Vote of Security Holders
- Item 5. Other Information
- Item 6. Exhibits and Reports on Form 8-K

SIGNATURES

10-Q

Exhibit 3.2

Exhibit 3.3

Exhibit 10.2

Table of Contents

AMB PROPERTY CORPORATION

INDEX

		Page
	PART I. FINANCIAL INFORMATION	
Item 1.	Financial Statements (unaudited)	
	Condensed Consolidated Balance Sheets as of June 30, 2002, and December 31, 2001	2
	Condensed Consolidated Statements of Operations for the three and six months ended June 30, 2002 and 2001	3
	Condensed Consolidated Statements of Cash Flows for the six months ended June 30, 2002 and 2001	4
	Condensed Consolidated Statement of Stockholders’ Equity for the six months ended June 30, 2002	5
	Notes to Condensed Consolidated Financial Statements	6
Item 2.	Management’s Discussion and Analysis of Financial Condition and Results of Operations	22
Item 3.	Quantitative and Qualitative Disclosures About Market Risk	41
	PART II. OTHER INFORMATION	
Item 1.	Legal Proceedings	42
Item 2.	Changes in Securities and Use of Proceeds	42
Item 3.	Defaults Upon Senior Securities	42
Item 4.	Submission of Matters to a Vote of Security Holders	42
Item 5.	Other Information	43
Item 6.	Exhibits and Reports on Form 8-K	56

PART I

Item 1. ***Financial Statements***

AMB PROPERTY CORPORATION

CONDENSED CONSOLIDATED BALANCE SHEETS
As of June 30, 2002 and December 31, 2001

	June 30, 2002	December 31, 2001
	(Unaudited, dollars in thousands)	
ASSETS		
Investments in real estate:		
Land	$1,117,410	$1,064,422
Buildings and improvements	3,438,408	3,285,110
Construction in progress	176,503	181,179
Total investments in properties	4,732,321	4,530,711
Accumulated depreciation and amortization	(311,058)	(265,653)
Net investments in properties	4,421,263	4,265,058
Investment in unconsolidated joint ventures	64,083	71,097
Properties held for divestiture, net	133,934	157,174
Net investments in real estate	4,619,280	4,493,329
Cash and cash equivalents	109,153	73,071
Restricted cash	10,134	8,661
Mortgages receivable	87,175	87,214
Accounts receivable	80,366	70,794
Other assets	31,172	27,824
Total assets	$4,937,280	$4,760,893
LIABILITIES AND STOCKHOLDERS' EQUITY		
Debt:		
Secured debt	$1,352,218	$1,220,164
Unsecured senior debt securities	800,000	780,000
Alliance Fund II credit facility	52,000	123,500
Unsecured credit facility	—	12,000
Total debt	2,204,218	2,135,664
Dividends payable	42,289	4,960
Other liabilities	120,340	133,641
Total liabilities	2,366,847	2,274,265
Commitments and contingencies	—	—
Minority interests	824,424	734,286
Stockholders' equity:		
Series A preferred stock, cumulative, redeemable, $.01 par value, 4,600,000 shares authorized, 4,000,000 issued and outstanding, $100,000 liquidation preference	96,100	96,100
Common stock $.01 par value, 500,000,000 shares authorized, 84,254,365 and 83,821,829 issued and outstanding	842	838
Additional paid-in capital	1,635,563	1,627,764
Retained earnings	13,535	27,640
Accumulated other comprehensive loss	(31)	—
Total stockholders' equity	1,746,009	1,752,342
Total liabilities and stockholders' equity	$4,937,280	$4,760,893

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 Six Months Ended June 30, 2002 and 2001

	For the Three Months Ended June 30,		For the Six Months Ended June 30,	
	2002	2001	2002	2001
	(Unaudited, dollars in thousands, except per share amounts)			
REVENUES AND OTHER INCOME				
Rental revenues	$ 149,741	$ 138,317	$ 300,826	$ 272,845
Equity in earnings of unconsolidated joint ventures	1,638	1,255	3,121	2,729
Investment management income	3,114	1,544	5,702	3,964
Interest and other income	3,330	3,692	7,312	8,831
Total revenues and other income	157,823	144,808	316,961	288,369
EXPENSES				
Property operating expenses	18,639	16,580	36,997	32,763
Real estate taxes	18,204	16,697	36,557	33,049
Interest, including amortization	37,217	29,841	72,912	61,050
Depreciation and amortization	31,972	27,140	61,464	53,812
General and administrative	10,762	9,201	21,831	17,384
Loss on investments in other companies	—	16,103	—	20,758
Total expenses	116,794	115,562	229,761	218,816
Income before minority interests, gains from disposition of real estate, discontinued operations, and extraordinary items	41,029	29,246	87,200	69,553
Minority interests’ share of income	(15,379)	(16,874)	(30,942)	(29,756)
Gains from dispositions of real estate, net of minority interests	2,768	17,792	2,480	34,559
Net income before discontinued operations and extraordinary items	28,418	30,164	58,738	74,356
Discontinued operations	484	207	683	455
Extraordinary items (early debt extinguishments)	(52)	(438)	(268)	(438)
Net income	28,850	29,933	59,153	74,373
Series A preferred stock dividends	(2,125)	(2,125)	(4,250)	(4,250)
Net income available to common stockholders	$ 26,725	$ 27,808	$ 54,903	$ 70,123
BASIC INCOME PER COMMON SHARE				
Before discontinued operations and extraordinary items	$ 0.31	$ 0.34	$ 0.65	$ 0.83
Discontinued operations	0.01	—	0.01	0.01
Extraordinary items	—	(0.01)	—	(0.01)
Net income available to common stockholders	$ 0.32	$ 0.33	$ 0.66	$ 0.83
DILUTED INCOME PER COMMON SHARE				
Before discontinued operations and extraordinary items	$ 0.30	$ 0.34	$ 0.64	$ 0.82
Discontinued operations	0.01	—	0.01	0.01
Extraordinary items	—	(0.01)	—	(0.01)
Net income available to common stockholders	$ 0.31	$ 0.33	$ 0.65	$ 0.82
WEIGHTED AVERAGE COMMON SHARES OUTSTANDING				
Basic	83,710,208	84,461,544	83,626,889	84,178,768
Diluted	85,529,416	85,378,727	85,120,197	85,078,751

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

AMB PROPERTY CORPORATION

CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
For the Six Months Ended June 30, 2002 and 2001

	2002	2001
	(Unaudited, dollars in thousands)	
CASH FLOWS FROM OPERATING ACTIVITIES		
Net income	$ 59,153	$ 74,373
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	61,647	54,177
Loss on investments in other companies	—	20,758
Straight-line rents	(6,747)	(3,466)
Amortization of debt premiums and financing costs, net	(624)	(1,033)
Amortization of stock-based compensation	1,962	1,266
Minority interests	31,002	29,971
Gains from dispositions of real estate, net of minority interests	(2,480)	(34,559)
Non-cash portion of extraordinary items	(330)	438
Equity in earnings of unconsolidated joint ventures	(3,121)	(2,686)
Changes in assets and liabilities:		
Accounts receivable and other assets	(3,089)	1,768
Accounts payable and other liabilities	(13,301)	24,834
Net cash provided by operating activities	124,072	165,841
CASH FLOWS FROM INVESTING ACTIVITIES		
Change in restricted cash	(1,473)	(19,119)
Cash paid for property acquisitions	(136,477)	(159,574)
Additions to buildings, development costs, and other first generation improvements	(60,646)	(119,269)
Additions to second generation building improvements and lease costs	(27,230)	(16,874)
Contributions to unconsolidated joint ventures	—	(3,222)
Distributions received from unconsolidated joint ventures	10,135	2,518
Net proceeds from divestiture of real estate	50,951	97,702
Net cash used in investing activities	(164,740)	(217,838)
CASH FLOWS FROM FINANCING ACTIVITIES		
Issuance of common stock	4,915	1,138
Borrowings on secured debt	166,976	138,785
Payments on secured debt	(50,455)	(19,749)
Borrowings on unsecured credit facility	—	198,000
Payments on unsecured credit facility	(12,000)	(414,000)
Borrowings on Alliance Fund II credit facility	23,500	98,100
Payments on Alliance Fund II credit facility	(95,000)	—
Payment of financing fees	(2,191)	(1,220)
Net proceeds from issuances of senior debt securities	19,883	74,563
Net proceeds from issuances of preferred units (minority interests)	38,939	24,856
Contributions from co-investment partners (minority interests)	58,350	131,950
Dividends paid to common and preferred stockholders	(38,716)	(37,817)
Distributions to minority interests, including preferred units	(37,451)	(27,866)
Net cash provided by financing activities	76,750	166,740
Net increase in cash and cash equivalents	36,082	114,743
Cash and cash equivalents at beginning of period	73,071	20,358
Cash and cash equivalents at end of period	$ 109,153	$ 135,101
Supplemental Disclosures		
Cash paid for interest, net of amounts capitalized	$ 70,058	$ 66,282
Acquisition of properties	$ 154,259	$ 159,574
Non-cash transactions:		
Assumption of secured debt	(17,782)	—
Net cash paid	$ 136,477	$ 159,574

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

AMB PROPERTY CORPORATION

CONDENSED CONSOLIDATED STATEMENT OF STOCKHOLDERS' EQUITY
For the Six Months Ended June 30, 2002

	Series A Preferred Stock	Common Stock Number of Shares	Common Stock Amount	Additional Paid-in Capital	Retained Earnings	Accumulated Other Comprehensive Loss	Total
				(Unaudited, dollars in thousands)			
Balance as of December 31, 2001	$96,100	83,821,829	$ 838	$1,627,764	$ 27,640	$ —	$1,752,342
Net income	4,250	—	—	—	54,903	—	
Currency translation adjustment	—	—	—	—	—	(31)	
Total comprehensive income							59,122
Issuance of restricted stock, net	—	168,901	2	4,706	—	—	4,708
Issuance of stock options, net	—	—	—	3,071	—	—	3,071
Exercise of stock options	—	227,524	2	4,913	—	—	4,915
Conversion of Operating Partnership units	—	36,111	—	926	—	—	926
Stock-based deferred compensation	—	—	—	(7,779)	—	—	(7,779)
Amortization of stock-based compensation	—	—	—	1,962	—	—	1,962
Dividends	(4,250)	—	—	—	(69,008)	—	(73,258)
Balance as of June 30, 2002	$96,100	84,254,365	$ 842	$1,635,563	$ 13,535	$ (31)	$1,746,009

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

AMB PROPERTY CORPORATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
June 30, 2002
(Unaudited)

1. Organization and Formation of the Company

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 ("REIT") under Sections 856 through 860 of the Internal Revenue Code of 1986 (the "Code"), 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 industrial buildings primarily within key distribution markets throughout North America. Unless the context otherwise requires, the "Company" means AMB Property Corporation, the Operating Partnership, and their other controlled subsidiaries.

As of June 30, 2002, 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 June 30, 2002, the Company had investments in five co-investment joint ventures, which are consolidated for financial reporting purposes.

AMB Capital Partners, LLC, a Delaware limited liability company ("AMB Capital Partners"), the successor-in-interest to AMB Investment Management, Inc. ("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 December 31, 2001, AMB Investment Management was reorganized through a series of related transactions into AMB Capital Partners. The Operating Partnership is the managing member of AMB Capital Partners. 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 June 30, 2002, the Company owned 933 industrial buildings and eight retail centers, located in 26 markets throughout the United States. The Company's strategy is to become a leading provider of distribution properties in supply-constrained, in fill submarkets located near key international passenger and cargo airports, highway systems, and sea ports in major metropolitan areas. As of June 30, 2002, the industrial buildings, principally warehouse distribution buildings, encompassed approximately 84.2 million rentable

square feet and were 94.4% leased to over 2,900 customers. As of June 30, 2002, the retail centers, principally grocer-anchored community shopping centers, encompassed approximately 1.1 million rentable square feet and were 87.8% leased to more than 120 customers.

As of June 30, 2002, through AMB Capital Partners, the Company also managed industrial buildings and retail centers, totaling approximately 2.3 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 for the three and six months ended June 30, 2002 and 2001, 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 for the year ended December 31, 2001.

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

The consolidation of AMB Investment Management, Inc. (predecessor-in-interest to AMB Capital Partners) and Headlands Realty Corporation on May 31, 2001, contributed to the increase in general and administrative expenses. Prior to May 31, 2001,the Company did not include expenses incurred by two unconsolidated preferred stock subsidiaries, Headlands Realty Corporation and AMB Capital Partners, in general and administrative expenses, they were netted with investment management income. General and administrative expenses for the quarter and six months ended June 30, 2001, would have been $10.3 million and $20.9 million, respectively, had the subsidiaries been consolidated beginning January 1, 2001.

Reclassifications. Certain items in the consolidated financial statements for prior periods have been reclassified to conform with current classifications.

Investments in other companies. Investments in other companies were accounted for on a cost basis and realized gains and losses were included in current earnings. During the three and six months ended June 30, 2001, the Company recognized a loss on its investments in other companies, including Webvan Group, Inc., totaling $16.1 million and $20.8 million, respectively. The Company had previously recognized gains and losses on its investment in Webvan Group, Inc. as a component of other comprehensive income. No gains or losses have been recognized in 2002.

Stock-based compensation expense. In the second quarter of 2002 and effective beginning in the first quarter of 2002, the Company adopted the expense recognition provisions of Statement of Financial Accounting Standards (SFAS) No. 123, *Accounting for Stock-Based Compensation*. The Company values stock options issued using the Black-Scholes option-pricing model and recognizes this value as an expense over the period in which the options vest. Under this standard, recognition of expense for stock options is applied to all options granted after the beginning of the year of adoption. Prior to the second quarter of 2002,

the Company followed the intrinsic method set forth in APB Opinion 25, *Accounting for Stock Issued to Employees*. In the first quarter of 2002, the Company awarded approximately 1.8 million stock options to employees. In accordance with SFAS No. 123, the Company will recognize the associated expense over the three to five-year vesting periods. Related stock-based compensation expense was $0.2 million and $0.4 million for the three and six month periods ended June 30, 2002, respectively. The expense is included in general and administrative expenses in the accompanying Condensed Consolidated Statements of Operations. The Company revised results for the three months ended March 31, 2002, to include $0.2 million of stock-based compensation expense. The adoption of SFAS No. 123 is prospective and the 2002 expense relates only to stock options granted in 2002. If the Company had adopted retroactively, then the related stock-based compensation expense would have been $0.8 million and $1.6 million for the three and six-month periods ended June 30, 2002, respectively.

Discontinued operations. In August 2001, the Financial Accounting Standards Board issued Statement of Financial Accounting Standard No. 144, *Accounting for the Impairment or Disposal of Long-Lived Assets*. SFAS No. 144 retains SFAS 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 reported discontinued operations separately as prescribed under the provisions of SFAS No. 144, including the reclassification of prior period operating results.

Financial Instruments. In June 2002, the Company initiated a new industrial development project valued at $30.8 million aggregating approximately 0.8 million square feet in Mexico. For its lease denominated in Mexican pesos, the Company uses derivative financial instruments to manage foreign currency exchange rate risk. The derivatives are cash flow hedges of the lease payments to be received between December 2002 and November 2003. The Company adopted Statement of Financial Accounting Standard No. 133, *Accounting for Derivative Instruments and for Hedging Activities,* as amended, on January 1, 2001. SFAS No. 133 provides comprehensive guidelines for the recognition and measurement of derivatives and hedging activities and, specifically, requires all derivatives to be recorded on the balance sheet at fair value as an asset or liability, with an offset to accumulated other comprehensive income or income. The Company's only derivative financial instruments in effect at June 30, 2002, were a combination of foreign currency option contracts. These derivative instruments were marked to market through accumulated other comprehensive income because they qualified for hedge accounting treatment. In assessing the fair value of its financial instruments, the Company uses a variety of methods and assumptions that are based on market conditions and risks existing at each balance sheet date. The Company uses quoted market prices or quotes from brokers or dealers for the same or similar instruments. These values represent a general approximation of possible value and may never actually be realized.

New Accounting Pronouncements. In April and June 2002, the Financial Accounting Standards Board issued Statement of Financial Accounting Standards Nos. 145, *Rescission of FASB Statements No. 4, 44, and 64, Amendment of FASB Statement No. 13, and Technical Corrections*, and 146, *Accounting for Costs Associated with Exit or Disposal Activities, respectively*. FASB No. 145, restricts the classification of debt extinguishments as extraordinary and FASB No. 146 addresses financial accounting and reporting for exit and disposal costs. The Company does not believe that either FASB Statement No. 145 or No. 146 will have a material impact on its financial position or results of operations. FASB Statement No. 145 is effective for transactions occurring after May 15, 2002, and FASB Statement No. 146 is effective for exit or disposal activities that are initiated after December 15, 2002.

3. Real Estate Acquisition and Development Activity

During the three months ended June 30, 2002, the Company invested $121.9 million in 17 industrial buildings aggregating approximately 2.0 million square feet, which included the investment of $80.0 million in

16 industrial buildings aggregating approximately 1.7 million square feet through two of the Company's co-investment joint ventures. During the six months ended June 30, 2002, the Company invested $156.9 million in 25 industrial buildings aggregating approximately 2.7 million square feet, which included $115.0 million in 24 industrial buildings aggregating 2.4 million square feet through two of the Company's co-investment joint ventures.

During the three months ended June 30, 2002, the Company completed industrial developments valued at $15.8 million, aggregating approximately 0.3 million square feet. The Company also initiated a new industrial development project valued at $30.8 million aggregating approximately 0.8 million square feet in Mexico. During the six months ended June 30, 2002, the Company completed industrial developments valued at $27.2 million, aggregating approximately 0.5 million square feet. The Company also initiated new industrial development projects valued at $36.8 million aggregating approximately 0.9 million square feet.

During the three months ended June 30, 2001, the Company invested $71.9 million in operating properties, consisting of 12 industrial buildings aggregating approximately 1.0 million square feet, which included the investment of $42.3 million in operating properties, consisting of six industrial buildings aggregating approximately 0.6 million square feet for three of the Company's joint ventures. During the six months ended June 30, 2001, the Company invested $165.3 million in operating properties, consisting of 26 industrial buildings aggregating approximately 2.8 million square feet, which included the investment of $84.8 million in operating properties, consisting of 14 industrial buildings aggregating approximately 1.6 million square feet for three of the Company's joint ventures.

During the three months ended June 30, 2002, the Company also sold $76.9 million in operating properties, consisting of 15 industrial buildings aggregating approximately 1.9 million square feet, to one of its co-investment joint ventures. The Company recognized a gain of $3.3 million on the sale, representing the portion of the sold properties acquired by the third-party co-investor.

During the three months ended June 30, 2001, the Company also contributed $111.9 million in operating properties, consisting of 17 industrial buildings aggregating approximately 1.9 million square feet, to two of its co-investment joint ventures. During the six months ended June 30, 2001, the Company contributed $539.2 million in operating properties, consisting of 111 industrial buildings aggregating approximately 10.8 million square feet, to three of its co-investment joint ventures. The Company recognized a gain of $15.8 million on the contributions, representing the portion of the contributed properties acquired by the third-party co-investors.

As of June 30, 2002, the Company had in its development pipeline: (1) 11 industrial projects, which will total approximately 3.5 million square feet and have an aggregate estimated investment of $163.6 million upon completion and (2) two development projects available for sale, which will total approximately 0.6 million square feet and have an aggregate estimated investment of $51.6 million upon completion. As of June 30, 2002, the Company and its Development Alliance Partners have funded an aggregate of $140.9 million and will need to fund an estimated additional $74.3 million in order to complete current and planned projects. The Company's development pipeline includes projects to be completed through November 2003.

4. Property Divestitures and Properties Held for Divestiture

Property Divestitures. During the three months ended June 30, 2002, the Company divested itself of one industrial building, aggregating approximately 0.5 million square feet, for an aggregate price of $12.1 million, with a resulting net loss of $0.4 million. The building disposed was classified as held for sale as of December 31, 2001. During the six months ended June 30, 2002, the Company divested itself of two industrial buildings and one retail building, aggregating approximately 0.8 million square feet, for an aggregate price of $50.6 million, with a resulting net loss of $0.7 million. The buildings disposed were classified as held for sale as of December 31, 2001.

AMB PROPERTY CORPORATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

Discontinued operations. In August 2001, the Financial Accounting Standards Board issued Statement of Financial Accounting Standard No. 144,*Accounting for the Impairment or Disposal of Long-Lived Assets.* SFAS No. 144 retains SFAS 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 reported discontinued operations separately as prescribed under the provisions of SFAS No. 144.

Properties Held for Divestiture under the provisions of SFAS No. 121. As of June 30, 2002, the Company had decided to divest itself of five retail centers with a net book value of $97.3 million. The retail centers do not meet the Company's strategic objectives. The divestitures of the properties are subject to negotiation of acceptable terms and other customary conditions. Properties held for divestiture are stated at the lower of cost or estimated fair value less costs to sell. The following summarizes the condensed results of operations of the properties held for divestiture under SFAS No. 121 at June 30, 2002 (dollars in thousands):

	For the Three Months Ended June 30,		For the Six Months Ended June 30,	
	2002	2001	2002	2001
Rental revenues	$ 2,557	$ 2,972	$ 5,874	$ 5,944
Property operating expenses	(1,173)	(1,323)	(2,362)	(2,359)
Interest and depreciation expense and minority interest	(339)	(1,186)	(1,119)	(2,347)
Net income	$ 1,045	$ 463	$ 2,393	$ 1,238

Properties Held for Divestiture under the provisions of SFAS No. 144. As of June 30, 2002, the Company had decided to divest itself of four industrial properties and four development properties with a net book value of $36.6 million. The properties are not in the Company's core markets or do not meet its strategic objectives. The divestitures of the properties are subject to negotiation of acceptable terms and other customary conditions. Properties held for divestiture are stated at the lower of cost or estimated fair value less costs to sell. The following summarizes the condensed results of operations of the properties held for divestiture under SFAS No. 144 at June 30, 2002 (dollars in thousands):

	For the Three Months Ended June 30,		For the Six Months Ended June 30,	
	2002	2001	2002	2001
Rental revenues	$1,136	$1,201	$2,261	$ 2,444
Straight-line rents	(59)	17	(28)	47
Property operating expenses	(330)	(363)	(688)	(748)
Interest and depreciation expense and minority interest	(263)	(648)	(862)	(1,288)
Net income	$ 484	$ 207	$ 683	$ 455

As of June 30, 2002, and December 31, 2001, assets and liabilities of properties held for divestiture under the provisions of SFAS No. 144 consisted of the following (dollars in thousands):

	June 30, 2002	December 31, 2001
Accounts receivable, net	$ 138	$ 254
Other assets	$ 440	$ 414
Secured debt	$9,987	$ 17,552
Other liabilities	$ 187	$ 377

Table of Contents

5. Mortgages Receivable

In September 2000, the Company sold a retail center located in Los Angeles, California. As of June 30, 2002, the Company carried a 9.5% mortgage note secured by the retail center in the principal amount of $74.0 million, due September 30, 2002. The Company received full repayment of this mortgage on July 3, 2002.

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 June 30, 2002, the outstanding balance on the note was $13.2 million.

6. Debt

As of June 30, 2002, and December 31, 2001, debt consisted of the following (dollars in thousands):

	June 30, 2002	December 31, 2001
Company secured debt, varying interest rates from 3.7% to 10.4%, due October 2002 to April 2014 (weighted average interest rate of 8.0% at June 30, 2002)	$ 414,046	$ 453,954
Joint venture secured debt, varying interest rates from 3.4% to 10.4%, due September 2002 to June 2023 (weighted average interest rate of 7.0% at June 30, 2002)	933,585	759,374
Unsecured senior debt securities, varying interest rates from 5.9% to 8.0%, (weighted average interest rate of 7.2%), due June 2005 to June 2018	800,000	780,000
Unsecured credit facility, variable interest at LIBOR plus 75 basis points, due May 2003	—	12,000
Alliance Fund II credit facility, variable interest at LIBOR plus 87.5 basis points (weighted average interest rate of 2.7% at June 30, 2002), due August 2003	52,000	123,500
Total before premiums	2,199,631	2,128,828
Unamortized premiums	4,587	6,836
Total consolidated debt	$2,204,218	$2,135,664

Secured debt generally requires monthly principal and interest payments. The secured debt is secured by deeds of trust on certain properties and is generally non-recourse. As of June 30, 2002, and December 31, 2001, the total gross investment book value of those properties securing the debt was $2.6 billion and $2.3 billion, respectively, including $1.4 billion and $1.2 billion, respectively, in consolidated joint ventures. All of the secured debt bears interest at fixed rates, except for seven loans with an aggregate principal amount of $72.6 million as of June 30, 2002, which bear interest at variable rates (weighted average interest rate of 3.5% as of June 30, 2002). The secured debt has various financial and non-financial covenants. Management believes that the Company and the Operating Partnership were in material compliance with these covenants as of June 30, 2002. As of June 30, 2002, the Company had 23 non-recourse secured loans, which are cross-collateralized by 59 properties, totaling $676.5 million (not including unamortized debt premiums).

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 material compliance with these covenants at June 30, 2002.

In May 2002, the Operating Partnership commenced a medium-term note program for the issuance of up to $400.0 million in principal amount of medium-term notes, which will be guaranteed by the Company. As of June 30, 2002, the Operating Partnership had issued no medium-term notes under this program.

In August 2000, the Operating Partnership commenced a medium-term note program for the issuance of up to $400.0 million in principal amount of medium-term notes, which are guaranteed by the Company. On January 14, 2002, the Operating Partnership completed this program when it issued and sold the remaining $20.0 million of the notes to Lehman Brothers, Inc., as principal. The Company has guaranteed the notes, which mature on January 17, 2007, and bear interest at 5.90% per annum. The Operating Partnership used the net proceeds of $19.9 million for general corporate purposes, to partially repay indebtedness, and to acquire and develop additional properties.

In May 2000, the Operating Partnership entered into a $500.0 million unsecured revolving credit agreement. The Company guarantees the Operating Partnership’s obligations under the credit facility. Borrowings under the credit facility currently bear interest at LIBOR plus 75 basis points, which is based on the Company’s credit rating. The credit facility matures in May 2003, has a one-year extension option, and is subject to a 15 basis point annual facility fee 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 material compliance with these covenants at June 30, 2002. 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, generally the value of the Company’s unencumbered properties. As of June 30, 2002, there was no outstanding balance on the credit facility and the 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 credit facility secured by the unfunded capital commitments of the third party investors in AMB Institutional Alliance REIT II, Inc. (“Alliance REIT II”), the Alliance Fund II, and the Company. Borrowings currently bear interest at LIBOR plus 87.5 basis points. As of June 30, 2002, the outstanding balance was $52.0 million and the remaining amount available was $56.8 million, net of outstanding letters of credit and capital contributions from third party investors. The credit facility has various financial and non-financial covenants. Management believes that the Alliance Fund II and the Alliance REIT II were in material compliance with these covenants at June 30, 2002.

During the three months ended June 30, 2002, the Operating Partnership retired $11.6 million of secured debt. The Operating Partnership recognized a net extraordinary loss of $0.1 million related to the early debt retirement. During the six months ended June 30, 2002, the Operating Partnership retired $40.4 million of secured debt and recognized a net extraordinary loss of $0.3 million related to the early debt retirement.

AMB PROPERTY CORPORATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

As of June 30, 2002, the scheduled maturities of the Company's total debt, excluding unamortized debt premiums, were as follows (dollars in thousands):

	Company Secured Debt	Joint Venture Debt	Unsecured Senior Debt Securities	Credit Facilities	Total
2002	$ 14,845	$ 28,403	$ —	$ —	$ 43,248
2003	75,951	41,630	—	52,000	169,581
2004	72,210	56,559	—	—	128,769
2005	46,020	58,831	250,000	—	354,851
2006	85,619	79,329	25,000	—	189,948
2007	24,721	42,474	75,000	—	142,195
2008	33,373	153,903	175,000	—	362,276
2009	4,911	45,802	—	—	50,713
2010	51,778	106,751	75,000	—	233,529
2011	1,311	196,240	75,000	—	272,551
Thereafter	3,307	123,633	125,000	—	251,970
	$414,046	$933,585	$800,000	$52,000	$2,199,631

7. Minority Interests in Consolidated Joint Ventures and Preferred Units

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 33.5 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, investment activity, and changes in financing.

Through the Operating Partnership, the Company enters into co-investment joint ventures with institutional investors. As of June 30, 2002, the Company had investments in five co-investment joint ventures with a gross book value of $1.5 billion, which are consolidated for financial reporting purposes and which are discussed below.

AMB/Erie L.P. ("Erie") is a co-investment partnership between the Operating Partnership and various entities related to Erie Insurance Company, and is engaged in the acquisition, ownership, operation, management, renovation, expansion, and development of industrial buildings. As of June 30, 2002, Erie had a total capitalization (defined as total book equity and total book debt) of $199.4 million. The Operating Partnership, together with one of its other affiliates, owned, as of June 30, 2002, approximately 50% of Erie.

AMB Institutional Alliance Fund I, L.P. ("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 industrial buildings. As of June 30, 2002, the Alliance Fund I had a total capitalization of $393.1 million. The Operating Partnership is the managing general partner of the Alliance Fund I. The Operating Partnership, together with one of the Company's other affiliates, owned, as of June 30, 2002, approximately 21% of the partnership interests in the Alliance Fund I.

The Operating Partnership, together with one of the Company's other affiliates, formed AMB Partners II, L.P. ("Partners II") to acquire, manage, develop, and redevelop distribution facilities nationwide. Partners II

has received equity contributions from City and County of San Francisco Employees' Retirement System ("CCSFERS") of $59.3 million. As of June 30, 2002, Partners II had a total capitalization of $221.1 million. The Operating Partnership is the managing general partner of Partners II and owned, as of June 30, 2002, approximately 50% of Partners II.

The Operating Partnership, together with one of the Company's other affiliates, formed 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. On March 23, 2001, AMB-SGP received an equity contribution from GIC of $75.0 million. As of June 30, 2002, AMB-SGP had a total capitalization of $367.2 million. The Operating Partnership is the managing general partner of AMB-SGP and owned, as of June 30, 2002, approximately 50.3% of AMB-SGP.

AMB Institutional Alliance Fund II, L.P. ("Alliance Fund II") is a co-investment partnership between the Operating Partnership, AMB Institutional Alliance REIT II, Inc. ("Alliance REIT II"), and a third party limited partner. The Alliance REIT II included 14 institutional investors as stockholders as of June 30, 2002. The Alliance Fund II is engaged in the acquisition, ownership, operation, management, renovation, expansion, and development of industrial buildings in target markets nationwide. As of June 30, 2002, the Alliance Fund II had a total capitalization of $306.2 million. The Operating Partnership is the managing general partner of the Alliance Fund II. The Operating Partnership owned, as of June 30, 2002, approximately 20% of the partnership interests in the Alliance Fund II.

The Company has authorized 100,000,000 shares of preferred stock for issuance, of which the following series were designated as of June 30, 2002: 4,600,000 shares of Series A preferred; 1,300,000 shares of Series B preferred; 1,595,337 shares of Series D preferred; 220,440 shares of Series E preferred; 397,439 shares of Series F preferred; 20,000 shares of Series G preferred; 840,000 shares of Series H preferred; 510,000 shares of Series I preferred; 800,000 shares of Series J preferred; and 800,000 shares of Series K preferred. On July 31, 2002, AMB Property II, L.P., one of the Company's subsidiaries, repurchased 130,000 7.95% Series F Cumulative Redeemable Preferred Limited Partnership Units and all 20,000 of its outstanding 7.95% Series G Cumulative Redeemable Preferred Limited Partnership Units from a single institutional investor. The Company redeemed the units for an aggregate cost of $7.1 million, including accrued and unpaid dividends.

On April 17, 2002, the Operating Partnership issued and sold 800,000 7.95% Series K 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 K Preferred Units are redeemable by the Operating Partnership on or after April 17, 2007, 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 K 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 K Preferred Stock. The Operating Partnership used the net proceeds of $39.0 million for general corporate purposes, which included the partial repayment of indebtedness and the acquisition and development of additional properties.

AMB PROPERTY CORPORATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

The following table distinguishes the minority interest liability as of June 30, 2002, and December 31, 2001 (dollars in thousands):

	June 30, 2002	December 31, 2001
Joint Venture Partners	$411,299	$ 359,514
Limited Partners in the Operating Partnership	97,278	98,785
Series B Preferred Units (liquidation preference of $65,000)	63,289	62,319
Series J Preferred Units (liquidation preference of $40,000)	38,883	38,906
Series K Preferred Units (liquidation preference of $40,000)	38,939	—
Held through AMB Property II, L.P.:		
Series D Preferred Units (liquidation preference of $79,767)	77,685	77,687
Series E Preferred Units (liquidation preference of $11,022)	10,788	10,788
Series F Preferred Units (liquidation preference of $19,872)	19,597	19,597
Series G Preferred Units (liquidation preference of $1,000)	954	954
Series H Preferred Units (liquidation preference of $42,000)	40,912	40,915
Series I Preferred Units (liquidation preference of $25,500)	24,800	24,821
Total	$824,424	$ 734,286

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

	For the Three Months Ended June 30,		For the Six Months Ended June 30,	
	2002	2001	2002	2001
Joint Venture Partners	$ 7,429	$ 6,946	$15,335	$11,195
Limited Partners in the Operating Partnership	1,440	2,583	3,240	4,358
Series B Preferred Units (liquidation preference of $65,000)	1,401	1,402	2,803	2,804
Series J Preferred Units (liquidation preference of $40,000)	795	—	1,713	—
Series K Preferred Units (liquidation preference of $40,000)	777	—	777	—
Held through AMB Property II, L.P.:				
Series C Preferred Units (repurchased in December 2001)	—	2,406	—	4,812
Series D Preferred Units (liquidation preference of $79,767)	1,546	1,545	3,091	3,090
Series E Preferred Units (liquidation preference of $11,022)	213	214	427	428
Series F Preferred Units (liquidation preference of $19,872)	395	395	790	790
Series G Preferred Units (liquidation preference of $1,000)	20	20	40	40
Series H Preferred Units (liquidation preference of $42,000)	853	853	1,706	1,706
Series I Preferred Units (liquidation preference of $25,500)	510	510	1,020	533
Total	$15,379	$16,874	$30,942	$29,756

8. Investments in Unconsolidated Joint Ventures

The Company has non-controlling limited partnership interests in three separate unconsolidated joint ventures. These investments are not consolidated because the Company does not exercise significant control over major operating decisions such as approval of budgets, selection of property managers, investment activity, and changes in financing. The Company accounts for the joint ventures using the equity method of accounting. Under the agreements governing the joint ventures, the Company and the other parties to the joint

venture may be required to make additional capital contributions, and subject to certain limitations, the joint ventures may incur additional debt. 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. The Company's net equity investment in these joint ventures is shown as investment in unconsolidated joint ventures on the accompanying Condensed Consolidated Balance Sheets. For the three months ended June 30, 2002 and 2001, the Company's share of net operating income from these joint ventures was $3.1 million and $2.3 million, respectively. For the six months ended June 30, 2002 and 2001, the Company's share of net operating income from these joint ventures was $5.7 million and $5.1 million, respectively.

The Company also has a 0.1% unconsolidated equity interest (with an approximate 33% economic interest) in Pier One LLC, a joint venture to redevelop the Company's office space in San Francisco. The investment is not consolidated because the Company does not own a majority interest and does not exercise significant control over major operating decisions such as approval of budgets, selection of property managers, investment activity, and changes in financing. The Company has an option to purchase the remaining equity interest beginning January 1, 2007, and expiring December 31, 2009, based on the fair market value as stipulated in the partnership agreement.

9. Stockholders' Equity

During the six months ended June 30, 2002, the Company redeemed 36,111 common limited partnership units of the Operating Partnership for shares of its common stock. Holders of common limited partnership units of the Operating Partnership have the right, commencing generally on or after the first anniversary of the holder becoming a limited partner of the Operating Partnership (or such other date agreed to by the Operating Partnership and the applicable unit holders), to require the Operating Partnership to redeem part or all of their common units for cash (based upon the fair market value of an equivalent number of shares of common stock at the time of redemption) or the Operating Partnership may, in its sole and absolute discretion (subject to the limits on ownership and transfer of common stock set forth in the Company's charter) elect to have the Company exchange those common units for shares of the Company's common stock on a one-for-one basis, subject to adjustment in the event of stock splits, stock dividends, issuance of certain rights, certain extraordinary distributions and similar events. The Company presently anticipates that the Operating Partnership will generally elect to have it issue shares of its common stock in exchange for common units in connection with a redemption request; however, the Operating Partnership has paid cash, and may in the future pay cash, for a redemption of common units. With each redemption or exchange, the Company's percentage ownership in the Operating Partnership will increase. Common limited partners may exercise this redemption right from time to time, in whole or in part, subject to the limitations that limited partners may not exercise this right if such exercise would result in any person actually or constructively owning shares of common stock in excess of the ownership limit or any other amount specified by the board of directors, assuming common stock was issued in the exchange.

In December 2001, the Company's board of directors approved a new stock repurchase program for the repurchase of up to $100.0 million worth of common and preferred stock. The new stock repurchase program expires in December 2003 and no repurchases have been made under the new program as of June 30, 2002.

AMB PROPERTY CORPORATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

The following table sets forth the dividend and distribution declarations per share or unit:

Security	Paying Entity	For the Three Months Ended June 30, 2002	For the Three Months Ended June 30, 2001	For the Six Months Ended June 30, 2002	For the Six Months Ended June 30, 2001
Common stock	Company	$0.410	$0.395	$0.820	$0.790
Series A preferred stock	Company	$0.531	$0.531	$1.063	$1.063
Operating Partnership units	Operating Partnership	$0.410	$0.395	$0.820	$0.790
Series A preferred units	Operating Partnership	$0.531	$0.531	$1.063	$1.063
Series B preferred units	Operating Partnership	$1.078	$1.078	$2.156	$2.156
Series C preferred units	AMB Property II, L.P.	n/a	$1.094	n/a	$2.188
Series D preferred units	AMB Property II, L.P.	$0.969	$0.969	$1.938	$1.938
Series E preferred units	AMB Property II, L.P.	$0.969	$0.969	$1.938	$1.938
Series F preferred units	AMB Property II, L.P.	$0.994	$0.994	$1.988	$1.988
Series G preferred units	AMB Property II, L.P.	$0.994	$0.994	$1.988	$1.103
Series H preferred units	AMB Property II, L.P.	$1.016	$1.016	$2.031	$2.032
Series I preferred units	AMB Property II, L.P.	$1.000	$1.000	$2.000	$1.044
Series J preferred units	Operating Partnership	$0.994	n/a	$1.988	n/a
Series K preferred units	Operating Partnership	$0.972	n/a	$0.972	n/a

10. Income Per Share

The Company’s only dilutive securities outstanding for the three and six months ended June 30, 2002 and 2001, were stock options and restricted stock granted under its stock incentive plans. The effect on diluted income per share was to increase weighted average shares outstanding. Such dilution was computed using the treasury stock method.

	For the Three Months Ended June 30, 2002	For the Three Months Ended June 30, 2001	For the Six Months Ended June 30, 2002	For the Six Months Ended June 30, 2001
WEIGHTED AVERAGE COMMON SHARES				
Basic	83,710,208	84,461,544	83,626,889	84,178,768
Stock options and restricted stock	1,819,208	917,183	1,493,308	899,983
Diluted	85,529,416	85,378,727	85,120,197	85,078,751

11. Segment Information

The Company operates industrial and retail properties in North America and manages its business both by property type and by market. Industrial properties represent more than 98% of the Company’s portfolio by rentable square feet and consist primarily of warehouse distribution facilities suitable for single or multiple customers and are typically comprised of multiple buildings that are leased to customers engaged in various types of businesses. As of June 30, 2002, the Company operated industrial properties in eight hub and gateway markets in addition to 18 other markets nationwide. The Company’s geographic markets for industrial properties are managed separately because each market requires different operating, pricing, and leasing strategies. As of June 30, 2002, the Company operated retail properties in Southeast Florida, Atlanta, Chicago, the San Francisco Bay Area, Boston, and Baltimore. The Company does not separately manage its retail operations by market. Retail properties are generally leased to one or more anchor customers, such as grocery and drug stores, and various retail businesses. The accounting policies of the segments are the same as

those described in the summary of significant accounting policies. The Company evaluates performance based upon property net operating income of the combined properties in each segment.

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. Summary information for the reportable segments is as follows (dollars in thousands):

	Rental Revenues(1)		Rental Revenues(1)	
	For the Three Months Ended June 30,		For the Six Months Ended June 30,	
	2002	2001	2002	2001
Industrial Hub & Gateway Markets:				
Atlanta	$ 7,415	$ 6,801	$ 14,729	$ 13,989
Chicago	11,063	9,804	22,949	19,911
Dallas/ Ft. Worth	6,625	6,340	13,247	12,766
No. New Jersey/ New York	11,176	11,690	22,007	22,533
San Francisco Bay Area	31,437	25,999	61,439	49,960
Southern California	18,879	14,873	37,529	29,230
Miami	8,946	8,092	17,242	16,819
Seattle	6,539	5,791	12,031	11,393
Total hub & gateway markets	102,080	89,390	201,173	176,601
Total other industrial markets	42,090	41,577	85,834	82,427
Discontinued operations	(1,136)	(1,201)	(2,261)	(2,444)
Total industrial markets	143,034	129,766	284,746	256,584
Total retail markets	3,921	6,410	9,333	12,795
Total properties	$146,955	$136,176	$294,079	$269,379

(1) Excludes straight-line rents of $2.8 million and $2.1 million for the three months ended June 30, 2002 and 2001, respectively, and $6.7 million and $3.5 million for the six months ended June 30, 2002 and 2001, respectively.

AMB PROPERTY CORPORATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

	Property NOI(1)(2) For the Three Months Ended June 30,		Property NOI(1)(2) For the Six Months Ended June 30,		Total Gross Investment(3)	
	2002	2001	2002	2001	June 30, 2002	December 31, 2001
Industrial Hub & Gateway Markets:						
Atlanta	$ 5,746	$ 5,443	$ 11,626	$ 11,256	$ 281,672	$ 271,663
Chicago	7,556	6,556	15,887	13,301	353,788	330,127
Dallas/ Fort Worth	4,642	4,416	9,482	9,023	196,226	171,263
Northern New Jersey/ New York	7,376	8,680	14,639	16,261	427,731	406,077
San Francisco Bay Area	26,285	22,064	51,577	42,294	811,278	806,528
Southern California	14,800	12,120	29,513	23,869	713,585	694,602
Miami	6,392	5,799	12,624	12,433	289,170	288,046
Seattle	5,252	4,588	9,629	9,133	245,491	193,154
Total hub & gateway markets	78,049	69,666	154,977	137,570	3,318,941	3,161,460
Total other industrial markets	30,558	29,888	61,261	59,051	1,373,277	1,321,959
Discontinued operations	(806)	(838)	(1,573)	(1,696)	—	—
Total industrial markets	107,801	98,716	214,665	194,925	4,692,218	4,483,419
Total retail markets	2,311	4,183	5,860	8,642	40,103	47,292
Total properties	$110,112	$102,899	$220,525	$203,567	$4,732,321	$4,530,711

(1) Excludes straight-line rents of $2.8 million and $2.1 million for the three months ended June 30, 2002 and 2001, respectively, and $6.7 million and $3.5 million for the six months ended June 30, 2002 and 2001, 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) Includes Construction in progress of $176.5 million as of June 30, 2002, and $181.2 million as of December 31, 2001 and excludes net properties held for divestiture of $133.9 million as of June 30, 2002, and $157.2 million as of December 31, 2001.

AMB PROPERTY CORPORATION

NOTES TO 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 June 30,		For the Six Months Ended June 30,	
	2002	2001	2002	2001
Rental Revenues				
Total rental revenues for reportable segments	$146,955	$136,176	$294,079	$269,379
Straight-line rents	2,786	2,141	6,747	3,466
Total rental revenues	$149,741	$138,317	$300,826	$272,845
Income before minority interests and net gains from dispositions of real estate				
Property net operating income for reportable segments	$110,112	$102,899	$220,525	$203,567
Straight-line rents	2,786	2,141	6,747	3,466
Equity in earnings of unconsolidated joint ventures	1,638	1,255	3,121	2,729
Investment management income	3,114	1,544	5,702	3,964
Other income	3,330	3,692	7,312	8,831
Less:				
Interest, including amortization	(37,217)	(29,841)	(72,912)	(61,050)
Depreciation and amortization	(31,972)	(27,140)	(61,464)	(53,812)
General, administrative, and other	(10,762)	(9,201)	(21,831)	(17,384)
Loss on investments in other companies	—	(16,103)	—	(20,758)
Income before minority interests and gains	$ 41,029	$ 29,246	$ 87,200	$ 69,553

12. Commitments and Contingencies

Litigation. In the normal course of business, from time to time, the Company may be 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, such as those due to acts of war that may be either uninsurable or not economically insurable. Although we have obtained coverage for certain acts of terrorism, with policy specifications and insured limits that we believe are commercially reasonable, it is not certain that we will be able to collect under such policies. Should an uninsured loss occur, the Company could lose its investment in, and anticipated profits and cash flows from, a property.

AMB PROPERTY CORPORATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

Captive Insurance Company. The Company has responded to recent trends towards increasing costs and decreasing coverage availability in the insurance markets by obtaining higher-deductible property insurance from third party insurers and by forming a wholly-owned captive insurance company, Arcata National Insurance Ltd. (“Arcata”) in December 2001. Arcata provides insurance coverage for all or a portion of losses below the increased deductible under the third party policies. The Company capitalized Arcata in accordance with regulatory requirements. Arcata established annual premiums based on projections derived from the past loss experience at the Company’s properties. Annually, the Company intends to engage an independent third party to perform an actuarial estimate of future projected claims.

Premiums paid to Arcata have a retrospective component, so that if expenses, including losses, are less than premiums collected, the excess will be returned to the property owners (and, in turn, as appropriate, to the customers) and conversely, subject to certain limitations, if expenses, including losses, are greater than premiums collected, an additional premium will be charged. As with all recoverable expenses, differences between estimated and actual insurance premiums will be recognized in the subsequent year. Through this structure, the Company believes that it will be able to obtain insurance for its portfolio with more comprehensive coverage at a projected overall lower cost than would otherwise be available in the market.

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 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 customers;*
- *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;*
- *increases in real property tax rates; and*
- *risks of doing business internationally, including currency risks.*

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, AMB Property, L.P., a Delaware limited partnership that we refer to as the operating partnership, and its other controlled subsidiaries, and the references to AMB Property Corporation include the operating partnership and their other controlled subsidiaries. The following marks are our registered trademarks: AMB®; Broker Alliance Partners®; Broker Alliance Program®; Customer Alliance Partners®; Customer Alliance Program®; Development Alliance Partners®; Development Alliance Program®; Institutional Alliance Partners®; Institutional Alliance Program®; Management Alliance Partners®; Management

Alliance Program®; UPREIT Alliance Partners®; UPREIT Alliance Program®, HTD®; and High Throughput Distribution®. The following marks are our unregistered trademarks: Strategic Alliance Partners™ and Strategic Alliance Programs™.

GENERAL

We commenced operations as a fully integrated real estate company in connection with the completion of our initial public offering on November 26, 1997, and elected to be taxed as a real estate investment trust under Sections 856 through 860 of the Internal Revenue Code of 1986 with our initial tax return for the year ended December 31, 1997. AMB Property Corporation and the operating partnership were formed shortly before the consummation of our initial public offering.

We generate revenue primarily from rent received from customers under long-term operating leases at our properties, including reimbursements from customers for certain operating costs. In addition, our growth is, in part, dependent on our ability to increase occupancy rates or increase rental rates at our properties and our ability to continue the acquisition and development of additional properties. 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. 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, including the operating partnership's obligations as the general partner of the co-investment joint ventures. Any such liabilities could adversely affect our financial condition, results of operations, cash flow, and ability to pay dividends on, and the market price of, our stock.

Critical Accounting Policies

Our discussion and analysis of financial condition and results of operations is based on our consolidated financial statements, which have been prepared in accordance with accounting principles generally accepted in the United States. The preparation of these financial statements requires us to make estimates and judgments that affect the reported amounts of assets, liabilities, and contingencies as of the date of the financial statements and the reported amounts of revenues and expenses during the reporting periods. We evaluate our assumptions and estimates on an on-going basis. We base our estimates on historical experience and on various other assumptions that we believe to be reasonable under the circumstances, the results of which form the basis for making judgments about the carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates under different assumptions or conditions. We believe the following critical accounting policies affect our more significant judgments and estimates used in the preparation of our consolidated financial statements.

REIT Compliance. 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 others on a 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 through the operating partnership. 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 would 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 in 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 and we would no longer be required to make distributions to our stockholders. In addition, our annual fee on our unsecured credit facility may increase and certain rights that preferred limited partnership unitholders in our affiliates have to exchange their preferred units for shares of our preferred stock may be triggered.

Investments in Real Estate. Investments in real estate are stated at cost unless circumstances indicate that cost cannot be recovered, in which case, the carrying value of the property is reduced to estimated fair value. Carrying values for financial reporting purposes are reviewed for impairment on a property-by-property basis whenever events or changes in circumstances indicate that the carrying value of a property may not be recoverable. Impairment is recognized when estimated expected future cash flows (undiscounted and without interest charges) are less than the carrying amount of the property. The estimation of expected future net cash flows is inherently uncertain and relies on assumptions regarding current and future market conditions and the availability of capital. If impairment analysis assumptions change, then an adjustment to the carrying amount of our long-lived assets could occur in the future period in which the assumptions change. To the extent that a property is impaired, the excess of the carrying amount of the property over its estimated fair value is charged to income. We believe that there are no additional impairments of the carrying values of our investments in real estate at June 30, 2002.

Rental Revenues. We record rental revenue from operating leases on a straight-line basis over the term of the leases and maintain an allowance for estimated losses that may result from the inability of our customers to make required payments. If customers fail to make contractual lease payments that are greater than our bad-debt reserves, then we may have to recognize additional bad debt charges in future periods. Historically, our bad debt expense has been between 50 and 150 basis points of total revenues.

Stock-based compensation expense. In the second quarter of 2002 and effective beginning in the first quarter of 2002, we adopted the expense recognition provisions of Statement of Financial Accounting Standards (SFAS) No. 123, *Accounting for Stock-Based Compensation.* We value stock options issued using the Black-Scholes option-pricing model and recognize this value as an expense over the period in which the options vest. Under this standard, recognition of expense for stock options is retroactively applied to all options granted after the beginning of the year of adoption. Prior to the second quarter of 2002, we followed the intrinsic method set forth in APB Opinion 25, *Accounting for Stock Issued to Employees.* In the first quarter of 2002, we awarded approximately 1.8 million stock options to employees. In accordance with SFAS No. 123, we will recognize the associated expense over the three to five-year vesting periods. The expense is included in general and administrative expenses in the accompanying Condensed Consolidated Statements of Operations.

THE COMPANY

AMB Property Corporation, a Maryland corporation, acquires, develops, and operates industrial property primarily within key distribution markets throughout North America. We currently own, manage, or are developing 96.6 million square feet in 27 North American metropolitan markets, with more than two-thirds of these assets concentrated in eight targeted hub and gateway locations. Our portfolio is comprised of strategically located industrial buildings in in-fill submarkets; specifically, buildings near airports, seaports, and freeway systems within targeted metropolitan areas. In-fill sub-markets are characterized by supply constraints on the availability of land for competing projects as well as by having physical, political, or economic barriers

to new development. A substantial majority of our owned or managed buildings function as High Throughput Distribution, or HTD facilities, which are designed and built to quickly distribute our customers' products, rather than store them. Because we invest in areas that have natural supply constraints, high barriers to entry, and a close proximity to large population centers, we believe that our HTD facilities will benefit from high customer demand as well as limited competition.

As of June 30, 2002, we owned and operated 933 industrial buildings and eight retail centers, totaling approximately 85.3 million rentable square feet, located in 26 markets nationwide. As of June 30, 2002, our industrial and retail properties were 94.4% and 87.8% leased, respectively. As of June 30, 2002, through our subsidiary, AMB Capital Partners, LLC, we also managed industrial buildings and retail centers, totaling approximately 2.3 million rentable square feet on behalf of various clients. In addition, we have invested in 40 industrial buildings, totaling approximately 4.9 million rentable square feet, through unconsolidated joint ventures.

As of June 30, 2002, we had five retail centers, four industrial properties, and four development properties, which were held for divestiture. Over the next few years, we intend to dispose of non-strategic assets and redeploy the resulting capital into industrial properties in supply-constrained markets in the U.S. and internationally that better fit our current investment focus.

Through the operating partnership, we are engaged in the acquisition, ownership, operation, management, renovation, expansion, and development of primarily industrial properties in target markets nationwide. As of June 30, 2002, 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.

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. Our principal executive office 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.

Co-investment Joint Ventures

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 well as investment management income. As of June 30, 2002, we had investments in five co-investment joint ventures with a gross book value of $1.5 billion, which are consolidated for financial reporting purposes and which are discussed below. We believe that our co-investment program will also continue to serve as a source of capital for acquisitions and developments; however, there can be no assurance that it will continue to do so.

Acquisition, Development, and Disposition Activity

During the quarter, we invested $121.9 million in operating properties, consisting of 17 industrial buildings aggregating approximately 2.0 million square feet, which included the investment of $80.0 million in 16 buildings aggregating approximately 1.7 million square feet through two of our co-investment joint ventures. Year to date, we have invested $156.9 million in operating properties, consisting of 25 industrial buildings aggregating approximately 2.7 million square feet, which included the investment of $115.0 million in 24 buildings aggregating approximately 2.4 million square feet through two of our co-investment joint ventures.

During the quarter, we completed industrial developments valued at $15.8 million, aggregating approximately 0.3 million square feet. We also initiated a new industrial development project valued at $30.8 million aggregating approximately 0.8 million square feet in Mexico. Year to date, we have completed industrial

developments valued at $27.2 million, aggregating approximately 0.5 million square feet. We also have initiated two new industrial development projects valued at $36.8 million aggregating approximately 0.9 million square feet.

As of June 30, 2002, we had in our development pipeline: (1) 11 industrial projects, which will total approximately 3.5 million square feet and have an aggregate estimated investment of $163.6 million upon completion and (2) two development projects available for sale, which will total approximately 0.6 million square feet and have an aggregate estimated investment of $51.6 million upon completion. As of June 30, 2002, we and our Development Alliance Partners have funded an aggregate of $140.9 million and will need to fund an estimated additional $74.3 million in order to complete current and planned projects.

During the quarter, we disposed of one industrial building, aggregating approximately 0.5 million rentable square feet, for an aggregate price of $12.1 million. Year to date, we have disposed of two industrial building and one retail center, aggregating approximately 0.8 million rentable square feet, for an aggregate price of $50.6 million. During the three months ended June 30, 2002, we also sold $76.9 million in operating properties, consisting of 15 industrial buildings aggregating approximately 1.9 million square feet, to one of our co-investment joint ventures.

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. Local partners give us best-in-class, local market expertise and intelligence. We, in turn, contribute national customer relationships, industry knowledge, perspective, and financial strength.

We believe that our partners give us local market expertise and flexibility allowing us to focus on our core competencies: developing and executing 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 renewals on re-tenanted space. We do this by seeking to maintain a high occupancy rate at our properties and by seeking to control expenses by capitalizing on the economies of owning, operating, and growing a large national portfolio. As of June 30, 2002, our industrial properties and retail centers were 94.4% leased and 87.8% leased, respectively. Year to date, we increased average industrial base rental rates (on a cash basis) by 1.5% 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 increased cash-basis same-store net operating income by 1.4% 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 our 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 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 believe that 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 should 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 extensive 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 Capital Partners, LLC, to the extent such clients commit new 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. In general, we control all significant operating and investment decisions of our co-investment entities. We believe that our co-investment program will continue to serve as a source of capital for acquisitions and developments and investment management income; however, there can be no assurance that it will continue to do so.

Growth Through Developments for Sale

The operating partnership, through a wholly-owned subsidiary, Headlands Realty Corporation, conducts a variety of businesses that include incremental income programs, such as our development projects available for sale to third parties. Such development properties include value-added conversion projects and build-to-sell projects. During 2001, we completed and sold two value-added conversion projects for a net gain of $13.2 million. As of June 30, 2002, we were developing two projects for sale to third parties.

AMB Capital Partners

AMB Capital Partners, LLC provides real estate investment management services on a fee basis to third-party clients. On December 31, 2001, AMB Investment Management, Inc. was reorganized through a series of

related transactions into AMB Capital Partners. On May 31, 2001, the operating partnership began consolidating its investment in AMB Investment Management by acquiring 100% of its common stock for $0.3 million. Prior to May 31, 2001, the operating partnership owned 100% of AMB Investment Management's non-voting preferred stock (representing a 95% economic interest therein) and reflected its investment using the equity method.

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 or 12 months after we receive a certificate of occupancy for the building). We refer to these properties as the same store properties. For the comparison between the years ended June 30, 2002 and 2001, the same store industrial properties consisted of properties aggregating approximately 72.1 million square feet. The properties acquired during the first six months of 2002 consisted of 25 buildings, aggregating approximately 2.7 million square feet. The properties acquired during 2001 consisted of 65 buildings, aggregating approximately 6.8 million square feet. In the first six months of 2002, the property divestitures consisted of two industrial buildings and one retail center, aggregating approximately 0.8 million square feet. In 2001, property divestitures consisted of 24 industrial and two retail buildings, aggregating approximately 3.2 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.

For the Three Months Ended June 30, 2002 and 2001 (dollars in millions)

Rental Revenues	2002	2001	$ Change	% Change
Industrial				
Same store	$125.5	$122.5	$ 3.0	2.4%
2001 acquisitions	15.2	4.8	10.4	216.7%
2002 acquisitions	1.9	—	1.9	—
Developments	1.1	0.3	0.8	266.7%
Divestitures	0.4	3.4	(3.0)	(88.2)%
Discontinued operations	(1.1)	(1.2)	0.1	(8.3)%
Retail	3.9	6.4	(2.5)	(39.1)%
Straight-line rents	2.8	2.1	0.7	33.3%
Total	$149.7	$138.3	$ 11.4	8.2%

The growth in rental revenues in same store properties resulted primarily from fixed rent increases on existing leases, reimbursement of expenses, and lease termination fees, partially offset by lower average occupancies. Industrial same store occupancy was 94.6% at June 30, 2002, and 95.6% at June 30, 2001. During the quarter, the same store rent decreases on industrial renewals and rollovers (cash basis) were (0.3%) on 3.7 million square feet leased.

Investment Management and Other Income	2002	2001	$ Change	% Change
Equity in earnings of unconsolidated joint ventures	$1.7	$1.3	$ 0.4	30.8%
Investment management income	3.1	1.5	1.6	106.7%
Interest and other income	3.3	3.7	(0.4)	(10.8)%
Total	$8.1	$6.5	$ 1.6	24.6%

The increase in investment management income was due primarily to increased priority distributions from our co-investment joint ventures and the consolidation of AMB Investment Management, Inc.

(predecessor-in-interest to AMB Capital Partners, LLC) and Headlands Realty Corporation on May 31, 2001. The decrease in interest and other income was primarily due to our having construction loans to our unconsolidated joint ventures and bridge loans to our joint ventures in 2001.

Property Operating Expenses and Real Estate Taxes	2002	2001	$ Change	% Change
(Exclusive of depreciation and amortization)				
Rental expenses	$18.6	$16.6	$ 2.0	12.0%
Real estate taxes	18.2	16.7	1.5	9.0%
Property operating expenses	$36.8	$33.3	$ 3.5	10.5%
Industrial				
Same store	$31.3	$29.2	$ 2.1	7.2%
2001 acquisitions	2.9	1.0	1.9	190.0%
2002 acquisitions	0.3	—	0.3	—
Developments	0.9	0.2	0.7	350.0%
Divestitures	0.1	1.1	(1.0)	(90.9)%
Discontinued operations	(0.3)	(0.4)	0.1	(25.0)%
Retail	1.6	2.2	(0.6)	(27.3)%
Total	$36.8	$33.3	$ 3.5	10.5%

The increase in same store properties' operating expenses primarily relates to increases in real estate taxes and insurance expenses, partially offset by decreases in common area maintenance expenses.

Other Expenses	2002	2001	$ Change	% Change
Interest, including amortization	$37.2	$29.8	$ 7.4	24.8%
Depreciation and amortization	32.0	27.1	4.9	18.1%
General and administrative	10.8	9.2	1.6	17.4%
Total	$80.0	$66.1	$ 13.9	21.0%

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 decreased borrowings on our unsecured credit facility. The secured debt issuances were primarily for our co-investment joint ventures' properties. The increase in depreciation expense was due to the increase in our net investment in real estate. The increase in general and administrative expenses was primarily due to the consolidation of AMB Investment Management, Inc. (predecessor-in-interest to AMB Capital Partners, LLC) and Headlands Realty Corporation on May 31, 2001. Prior to May 31, 2001, G&A did not include expenses incurred by two unconsolidated preferred stock subsidiaries, Headlands Realty Corporation and AMB Capital Partners. General and administrative expenses would have been $10.3 million had the subsidiaries been consolidated beginning January 1, 2001. General and administrative expense also includes stock-based compensation expense of $1.1 million, including $0.9 million related to the issuance of restricted stock and $0.2 million related to the adoption of Statement of Financial Accounting Standards (SFAS) No. 123, *Accounting for Stock-Based Compensation*. The adoption of SFAS No. 123 is prospective and the 2002 expense relates only to stock options granted in 2002. If we had adopted retroactively, then the related stock-based compensation expense would have been $0.8 million.

During the three months ended June 30, 2001, we recognized $16.1 million of losses on investments in other companies, including our investment in Webvan Group, Inc. and other technology-related companies. The loss reflects a 100% write-down of the investments. No gains or losses have been recognized in 2002.

During 2002, we retired $11.6 million of secured debt primarily in connection with property divestitures and prepayments. We recognized a net extraordinary loss of $0.1 million related to the early retirement of debt, resulting from prepayment penalties, partially offset by the write-off of debt premiums.

Table of Contents

For the Six Months Ended June 30, 2002 and 2001 (dollars in millions)

Rental Revenues	2002	2001	$ Change	% Change
Industrial				
Same store	$250.2	$245.5	$ 4.7	1.9%
2001 acquisitions	27.9	4.6	23.3	506.5%
2002 acquisitions	2.5	—	2.5	—
Developments	4.8	0.7	4.1	585.7%
Divestitures	1.7	8.1	(6.4)	(79.0)%
Discontinued operations	(2.3)	(2.4)	0.1	4.2%
Retail	9.3	12.8	(3.5)	(27.3)%
Straight-line rents	6.7	3.5	3.2	91.4%
Total	$300.8	$272.8	$ 28.0	10.3%

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, reimbursement of expenses, and lease termination fees, partially offset by lower average occupancies. Industrial same store occupancy was 94.6% at June 30, 2002, and 95.6% at June 30, 2001. Year to date, the same store rent increases on industrial renewals and rollovers (cash basis) was 1.5% on 7.9 million square feet leased.

Investment Management and Other Income	2002	2001	$ Change	% Change
Equity in earnings of unconsolidated joint ventures	$ 3.1	$ 2.7	$ 0.4	14.8%
Investment management income	5.7	4.0	1.7	42.5%
Interest and other income	7.3	8.8	(1.5)	(17.0)%
Total	$16.1	$15.5	$ 0.6	3.9%

The increase in investment management income was due primarily to increased priority distributions from our co-investment joint ventures and the consolidation of AMB Investment Management, Inc. (predecessor-in-interest to AMB Capital Partners, LLC) and Headlands Realty Corporation on May 31, 2001. The decrease in interest and other income was primarily due to our having construction loans to our unconsolidated joint ventures and bridge loans to our joint ventures in 2001.

Property Operating Expenses and Real Estate Taxes	2002	2001	$ Change	% Change
(Exclusive of depreciation and amortization)				
Rental expenses	$37.0	$32.8	$ 4.2	12.8%
Real estate taxes	36.6	33.0	3.6	10.9%
Property operating expenses	$73.6	$65.8	$ 7.8	11.9%
Industrial				
Same store	$60.7	$58.6	$ 2.1	3.6%
2001 acquisitions	6.8	1.0	5.8	580.0%
2002 acquisitions	0.4	—	0.4	—
Developments	2.3	0.7	1.6	228.6%
Divestitures	0.6	2.0	(1.4)	(70.0)%
Discontinued operations	(0.7)	(0.7)	—	—
Retail	3.5	4.2	(0.7)	(16.7)%
Total	$73.6	$65.8	$ 7.8	11.9%

The increase in same store properties' operating expenses primarily relates to increases in real estate taxes and insurance expenses, partially offset by decreases in common area maintenance expenses.

Other Expenses	2002	2001	$ Change	% Change
Interest, including amortization	$ 72.9	$ 61.1	$ 11.8	19.3%
Depreciation and amortization	61.5	53.8	7.7	14.3%
General and administrative	21.8	17.4	4.4	25.3%
Total	$156.2	$132.3	$ 23.9	18.1%

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 decreased borrowings on our unsecured credit facility. The secured debt issuances were primarily for our co-investment joint ventures' properties. The increase in depreciation expense was due to the increase in our net investment in real estate. The increase in general and administrative expenses was primarily due to the consolidation of AMB Investment Management, Inc. (predecessor-in-interest to AMB Capital Partners, LLC) and Headlands Realty Corporation on May 31, 2001. Prior to May 31, 2001, G&A did not include expenses incurred by two unconsolidated preferred stock subsidiaries, Headlands Realty Corporation and AMB Capital Partners. General and administrative expenses would have been $20.9 million had the subsidiaries been consolidated beginning January 1, 2001. General and administrative expense also includes stock-based compensation expense of $2.0 million, including $1.6 million related to the issuance of restricted stock and $0.4 million related the adoption of SFAS No. 123. The adoption of SFAS No. 123 is prospective and the 2002 expense relates only to stock options granted in 2002. If we had adopted retroactively, then the related stock-based compensation expense would have been $1.6 million.

Year to date June 30, 2001, we recognized $20.8 million of losses on investments in other companies, including our investment in Webvan Group, Inc. and other technology-related companies. The loss reflects a 100% write-down of the investments. No gains or losses have been recognized in 2002.

Year to date June 30, 2002, we retired $40.4 million of secured debt primarily in connection with property divestitures and prepayments. We recognized a net extraordinary loss of $0.3 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, we believe that our private capital 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, specifically our cash flow from operations and borrowings available under our unsecured credit facility, 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. During the quarter, we divested ourselves of one industrial building for an aggregate price of $12.1 million, with a resulting net loss of $0.4 million. This building was classified as held for sale as of December 31, 2001. Year to date, we divested ourselves of two industrial buildings and one retail center for an aggregate price of $50.6 million, with a resulting net loss of $0.7 million. These buildings were classified as held for sale as of December 31, 2001.

Properties Held for Divestiture. We have decided to divest ourselves of five retail centers, four industrial properties, and four development properties, 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 June 30, 2002, the net carrying value of the properties held for divestiture was $133.9 million.

Co-investment Joint Ventures. We consolidate the financial position, results of operations, and cash flows of our five co-investment joint ventures. We consolidate these joint ventures for financial reporting purposes because we are the sole managing general partner and, as a result, control all of the major operating decisions. Third-party equity interests in the joint ventures are reflected as minority interests in the consolidated financial statements. As of June 30, 2002, we owned approximately 33.5 million square feet of our properties through these entities. We may make additional investments through these joint ventures or new joint ventures in the future and presently plan to do so. The inability to obtain new joint venture partners could adversely affect our financial condition, results of operations, cash flow, and ability to pay dividends on, and the market price of, our stock.

During the three months ended June 30, 2002, we sold $76.9 million in operating properties, consisting of 15 industrial buildings aggregating approximately 1.9 million square feet, to one of our co-investment joint ventures, AMB-SGP, L.P. We recognized a gain of $3.3 million related to these contributions, representing the portion of the sold properties acquired by the third party co-investor.

During the three months ended June 30, 2001, we contributed $111.9 million in operating properties, consisting of 17 industrial buildings aggregating approximately 1.9 million square feet, to two of our co-investment joint ventures. During the six months ended June 30, 2001, we 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. We recognized a gain of $15.8 million related to these contributions, representing the portion of the contributed properties acquired by the third party co-investors.

Erie is a co-investment partnership between the operating partnership and various entities related to Erie Insurance Company, and is engaged in the acquisition, ownership, operation, management, renovation, expansion, and development of industrial buildings in target markets nationwide. As of June 30, 2002, Erie had received equity contributions from third party investors totaling $50.0 million, which when combined with debt financings and our investment, creates a total planned capitalization of $200.0 million. We owned, as of June 30, 2002, approximately 50% of Erie.

AMB Institutional Alliance Fund I, L.P. is a co-investment partnership between the operating partnership and AMB Institutional Alliance REIT I, Inc., which includes 15 institutional investors as stockholders, and is engaged in the acquisition, ownership, operation, management, renovation, expansion, and development of industrial buildings in target markets nationwide. As of June 30, 2002, the Alliance Fund I had received equity contributions from third party investors totaling $169.0 million, which, when combined with debt financings and our investment, creates a total planned capitalization of $420.0 million. We owned, as of June 30, 2002, approximately 21% of the partnership interests in the Fund I.

We formed AMB Partners II, L.P. to acquire, manage, develop, and redevelop distribution facilities nationwide. Partners II has received equity contributions from the City and County of San Francisco Employees' Retirement System of $59.3 million, which, when combined with anticipated debt financings and our investment, creates a total planned capitalization of $296.0 million. We are the managing general partner of Partners II and owned, as of June 30, 2002, approximately 50% of Partners II.

We formed 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. On March 23, 2001, AMB-SGP 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 $425.0 million. We are the managing general partner of AMB-SGP and owned, as of June 30, 2002, approximately 50.3% of AMB-SGP.

AMB Institutional Alliance Fund II, L.P. is a co-investment partnership between the operating partnership, AMB Institutional Alliance REIT II, Inc., and a third party limited partner. The Alliance REIT II included 14 institutional investors as stockholders as of June 30, 2002. The Alliance Fund II is engaged in the acquisition, ownership, operation, management, renovation, expansion, and development of

industrial buildings in target markets nationwide. As of June 30, 2002, 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 our investment, creates a total planned capitalization of $489.0 million. We are the managing general partner and owned, as of June 30, 2002, approximately 20% of the partnership interests in the Alliance Fund II.

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, which is based on our credit rating. 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. As of June 30, 2002, 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, generally the value of our unencumbered properties. At June 30, 2002, the remaining amount available under our unsecured credit facility was $500.0 million (excluding the $200.0 million of potential additional capacity).

In July 2001, the Alliance Fund II obtained a $150.0 million credit facility secured by the unfunded capital commitments of the third party investors in the Alliance REIT II, the Alliance Fund II, and the Company. Borrowings currently bear interest at LIBOR plus 87.5 basis points. As of June 30, 2002, the outstanding balance was $52.0 million and the remaining amount available was $56.8 million, net of outstanding letters of credit and capital contributions from third party investors.

Equity. We have authorized 100,000,000 shares of preferred stock for issuance, of which the following series were designated as of June 30, 2002: 4,600,000 shares of Series A preferred; 1,300,000 shares of Series B preferred; 1,595,337 shares of Series D preferred; 220,440 shares of Series E preferred; 397,439 shares of Series F preferred; 20,000 shares of Series G preferred; 840,000 shares of Series H preferred; 510,000 shares of Series I preferred; 800,000 shares of Series J preferred; and 800,000 shares of Series K preferred. On July 31, 2002, AMB Property II, L.P., one of our subsidiaries, repurchased 130,000 7.95% Series F Cumulative Redeemable Preferred Limited Partnership Units and all 20,000 of its outstanding 7.95% Series G Cumulative Redeemable Preferred Limited Partnership Units from a single institutional investor. We reclassified as preferred stock the corresponding 130,000 shares of Series F preferred stock and the corresponding 20,000 shares of Series G preferred stock. We redeemed the units for an aggregate cost of $7.1 million, including accrued and unpaid dividends.

On April 17, 2002, the operating partnership issued and sold 800,000 7.95% Series K 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 K Preferred Units are redeemable by the operating partnership on or after April 17, 2007, 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 K Preferred Units are exchangeable, at specified times and subject to certain conditions, on a one-for-one basis, for shares of our Series K Preferred Stock. The operating partnership used the net proceeds of $39.0 million for general corporate purposes, which included the partial repayment of indebtedness and the acquisition and development of additional properties.

During the three months ended June 30, 2002, we redeemed no common limited partnership units of the operating partnership for shares of our common stock. During the six months ended June 30, 2002, we redeemed 36,111 common limited partnership units of the operating partnership for shares of our common stock.

In December 2001, our board of directors approved a new stock repurchase program for the repurchase of up to $100.0 million worth of our common and preferred stock. The new stock repurchase program expires in December 2003 and no repurchases have been made under the new program through June 30, 2002.

Debt. In order to maintain financial flexibility and facilitate the deployment of capital through market cycles, we presently intend to operate with a debt-to-total market capitalization ratio of approximately 45% or less. At June 30, 2002, our share of total debt-to-total market capitalization ratio was 34.3%. Additionally, we currently intend to 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 or circumstances could arise that could render us unable to comply with these policies.

As of June 30, 2002, the aggregate principal amount of our secured debt was $1.3 billion, excluding unamortized debt premiums of $4.6 million. Of the $1.3 billion of secured debt, $0.9 billion is secured by our joint ventures. The secured debt bears interest at rates varying from 3.4% to 10.4% per annum (with a weighted average rate of 7.3%) and final maturity dates ranging from September 2002 to June 2023. All of the secured debt bears interest at fixed rates, except for seven loans with an aggregate principal amount of $72.6 million as of June 30, 2002, which bear interest at variable rates (with a weighted average interest rate of 3.5% at June 30, 2002).

In May 2002, the operating partnership commenced a medium-term note program for the issuance of up to $400.0 million in principal amount of medium-term notes, which will be guaranteed by us. As of June 30, 2002, the operating partnership had issued no medium-term notes under this program.

In August 2000, the operating partnership commenced a medium-term note program for the issuance of up to $400.0 million in principal amount of medium-term notes, which are guaranteed by us. On January 14, 2002, the operating partnership completed the program when it issued and sold the remaining $20.0 million of the notes to Lehman Brothers, Inc., as principal. We have guaranteed the notes, which mature on January 17, 2007, and bear interest at 5.90% per annum. The operating partnership used the net proceeds of $19.9 million for general corporate purposes, to partially repay indebtedness, and to acquire and develop additional properties.

We guarantee the operating partnership's obligations with respect to the senior debt securities. 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.

Mortgage Receivables. In September 2000, we sold a retail center located in Los Angeles, California. As of June 30, 2002, we carried a 9.5% mortgage note secured by the retail center in the principal amount of $74.0 million, due September 30, 2002. On July 3, 2002, we received a full repayment of the mortgage. 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 June 30, 2002, the outstanding balance on the note was $13.2 million.

The tables below summarize our debt maturities and capitalization as of June 30, 2002 (dollars in thousands):

Debt

	Company Secured Debt(1)	Joint Venture Debt	Unsecured Senior Debt Securities	Credit Facilities(2)	Total Debt
2002	$ 14,845	$ 28,403	$ —	$ —	$ 43,248
2003	75,951	41,630	—	52,000	169,581
2004	72,210	56,559	—	—	128,769
2005	46,020	58,831	250,000	—	354,851
2006	85,619	79,329	25,000	—	189,948
2007	24,721	42,474	75,000	—	142,195
2008	33,373	153,903	175,000	—	362,276
2009	4,911	45,802	—	—	50,713
2010	51,778	106,751	75,000	—	233,529
2011	1,311	196,240	75,000	—	272,551
Thereafter	3,307	123,663	125,000	—	251,970
Subtotal	414,046	933,585	800,000	52,000	2,199,631
Unamortized premiums	2,655	1,932	—	—	4,587
Total consolidated debt	416,701	935,517	800,000	52,000	2,204,218
Our share of unconsolidated joint venture debt(3)	—	39,790	—	—	39,790
Total debt	416,701	975,307	800,000	52,000	2,244,008
Joint venture partners' share of consolidated joint venture debt	—	(538,259)	—	(41,600)	(579,859)
Our share of total debt	$416,701	$ 437,048	$800,000	$ 10,400	$1,664,149
Weighted average interest rate	8.0%	7.0%	7.2%	2.7%	7.2%
Weighted average maturity (in years)	4.3	7.2	7.1	1.1	6.5

(1) All of the secured debt bears interest at fixed rates, except for seven loans with an aggregate principal amount of $72.6 million as of June 30, 2002, which bear interest at variable rates (with a weighted average interest rate of 3.5% at June 30, 2002).

(2) The 2003 maturity represents a secured 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 unsecured credit facility, which matures in 2003 and had no outstanding balance at June 30, 2002.

(3) The weighted average interest and weighted average maturity for the unconsolidated joint venture debt were 6.2% and 6.2 years, respectively.

Market Equity

Security	Shares/Units Outstanding	Market Price	Market Value
Common stock	84,254,365	$ 31.00	$2,611,885
Common limited partnership units	4,932,916	31.00	152,920
Total	89,187,281		$2,764,805

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 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
Series K preferred units	7.95%	40,000	April 2007
Weighted Average/Total	8.16%	$424,161	

Capitalization Ratios

Total debt-to-total market capitalization	41.3%
Our share of total debt-to-total market capitalization	34.3%
Total debt plus preferred-to-total market capitalization	49.1%
Our share of total debt plus preferred-to-total market capitalization	43.0%
Our share of total debt-to-total book capitalization	44.7%

Liquidity

As of June 30, 2002, we had approximately $119.3 million in cash, restricted cash, and cash equivalents, and $500.0 million of additional available borrowings under our credit facility. We also had $56.8 million of additional available borrowings under our Alliance Fund II 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. The unavailability of capital would adversely affect our financial condition, results of operations, cash flow, and ability to pay dividends on, and the market price of, our stock.

Our board of directors declared a regular cash dividend for the quarter ending June 30, 2002, of $0.41 per share of common stock and the operating partnership declared a regular cash distribution for the quarter ending June 30, 2002, of $0.41 per common unit. The dividends and distributions were payable on July 15, 2002, to stockholders and unitholders of record on July 5, 2002. The Series A, B, E, F, G, J, and K preferred stock and unit dividends and distributions were also payable on July 15, 2002, to stockholders and unitholders of record on July 5, 2002. The Series D, H, and I preferred unit distributions were payable on July 25, 2002, to

unitholders of record on July 11, 2002. The following table sets forth the dividend and distribution declarations for the three and six months ended June 30, 2002 and 2001:

		For the Three Months Ended June 30,		For the Six Months Ended June 30,	
Security	**Paying Entity**	**2002**	**2001**	**2002**	**2001**
Common stock	AMB Property Corporation	$ 0.410	$ 0.395	$0.820	$0.790
Operating partnership units	Operating Partnership	$ 0.410	$ 0.395	$0.820	$0.790
Series A preferred stock	AMB Property Corporation	$ 0.531	$ 0.531	$1.063	$1.063
Series A preferred units	Operating Partnership	$ 0.531	$ 0.531	$1.063	$1.063
Series B preferred units	Operating Partnership	$ 1.078	$ 1.078	$2.156	$2.156
Series C preferred units	AMB Property II, L.P.	n/a	$ 1.094	n/a	$2.188
Series D preferred units	AMB Property II, L.P.	$ 0.969	$ 0.969	$1.938	$1.938
Series E preferred units	AMB Property II, L.P.	$ 0.969	$ 0.969	$1.938	$1.938
Series F preferred units	AMB Property II, L.P.	$ 0.994	$ 0.994	$1.988	$1.988
Series G preferred units	AMB Property II, L.P.	$ 0.994	$ 0.994	$1.988	$1.988
Series H preferred units	AMB Property II, L.P.	$ 1.016	$ 1.016	$2.031	$2.032
Series I preferred units	AMB Property II, L.P.	$ 1.000	$ 1.000	$2.000	$1.044
Series J preferred units	Operating Partnership	$ 0.994	n/a	$1.988	n/a
Series K preferred units	Operating Partnership	$ 0.972	n/a	$0.972	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, as well as property divestitures. However, we may not be able to obtain future financings on favorable terms or at all. Our inability to obtain future financings on favorable terms or at all would adversely affect our financial condition, results of operations, cash flow, and ability to pay dividends on, and the market price of, our stock.

Capital Commitments

Developments. In addition to recurring capital expenditures, which consist of building improvements and leasing costs incurred to renew or re-tenant space, as of June 30, 2002, we are developing 11 projects representing a total estimated investment of $163.6 million upon completion and two development projects available for sale representing a total estimated investment of $51.6 million upon completion. Of this total, $140.9 million had been funded as of June 30, 2002, and an estimated $74.3 million is 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, which could have an adverse effect on our cash flow. 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. This 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 have no other material capital commitments.

Acquisitions. During the quarter, we invested $121.9 million in 17 operating industrial buildings, aggregating approximately 2.0 million rentable square feet. Year to date, we have invested $156.9 million in 25 operating industrial buildings, aggregating approximately 2.7 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.

Captive Insurance Company. We have responded to recent trends towards increasing costs and decreasing coverage availability in the insurance markets by obtaining higher-deductible property insurance from third party insurers and by forming a wholly-owned captive insurance company, Arcata National Insurance Ltd. in December 2001. Arcata provides insurance coverage for all or a portion of losses below the

increased deductible under the third party policies. We capitalized Arcata in accordance with regulatory requirements. Arcata established annual premiums based on projections derived from the past loss experience of our properties. Annually, we intend to engage an independent third party to perform an actuarial estimate of future projected claims.

Premiums paid to Arcata have a retrospective component, so that if expenses, including losses, are less than premiums collected, the excess will be returned to the property owners (and, in turn, as appropriate, to the customers) and conversely, subject to certain limitations, if expenses, including losses, are greater than premiums collected, an additional premium will be charged. As with all recoverable expenses, differences between estimated and actual insurance premiums will be recognized in the subsequent year. Through this structure, we believe that we have been able to obtain insurance for our portfolio with more comprehensive coverage at a projected overall lower cost than would otherwise be available in the market.

Potential Unknown Liabilities. Unknown liabilities may 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 our formation transactions that had not been asserted prior to our 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.

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 a 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 generally accepted accounting principles in the United States 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):

	For the Three Months Ended June 30,		For the Six Months Ended June 30,	
	2002	2001	2002	2001
Income before minority interests and gains	$ 41,029	$29,246	$ 87,200	$ 69,553
Real estate related depreciation and amortization:				
Total depreciation and amortization	31,972	27,140	61,464	53,812
FF&E depreciation and ground lease amortization(1)	(519)	(492)	(1,193)	(973)
Discontinued operations	484	490	926	1,035
FFO attributable to minority interests(2)	(11,274)	(8,539)	(24,118)	(15,726)
Adjustments to derive FFO in unconsolidated joint ventures(3):				
Our share of net income	(1,638)	(1,255)	(3,121)	(2,729)
Our share of FFO	2,700	2,133	4,829	4,253
Preferred stock dividends	(2,125)	(2,125)	(4,250)	(4,250)
Preferred unit distributions	(6,510)	(7,345)	(12,367)	(14,203)
Funds from operations	$ 54,119	$39,253	$109,370	$ 90,772

(1) FF&E depreciation represents depreciation on furniture, fixtures, and equipment that is not 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 three months ended June 30, 2002 and 2001, was $19.7 million and $16.3 million, respectively, and for the six months ended June 30, 2002 and 2001, was $39.4 million and $26.2 million, respectively.

(3) Our share of net operating income for the three months ended June 30, 2002 and 2001, was $3.1 million and $2.3 million, respectively, and for the six months ended June 30, 2002 and 2001, was $5.7 million and $5.1 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 three month period ended June 30, 2002 (dollars in thousands):

	Three Months Ended June 30, 2002	Six Months Ended June 30, 2002
Square feet owned(1)(2)	84,189,979	84,189,979
Occupancy percentage(1)	94.4%	94.4%
Weighted average lease terms:		
Original	6.2 years	6.2 years
Remaining	3.2 years	3.2 years
Tenant retention	75.1%	74.9%
Rent increases on renewals and rollovers	(0.4)%	1.5%
Square feet leased(3)	3,854,747	8,146,018
Second generation tenant improvements and leasing commissions per sq. ft.:		
Renewals	$ 0.77	$ 0.82
Re-tenanted	1.50	1.81
Weighted average	$ 1.22	$ 1.39
Recurring capital expenditures(4)		
Tenant improvements	$ 7,017	$ 10,936
Lease commissions and other lease costs	5,404	10,367
Building improvements	3,586	5,927
Sub-total	16,007	27,230
Partners’ share of capital expenditures	(2,966)	(5,808)
Total	$ 13,041	$ 21,422

(1) Includes all industrial consolidated operating properties and excludes development and renovation projects. Excludes retail and other properties’ square feet of 1,087,091, occupancy of 87.8%, and annualized base rent of $12.9 million.

(2) In addition to owned square feet as of June 30, 2002, we managed, through our subsidiary, AMB Capital Partners, approximately 2.3 million additional square feet of industrial, retail, and other properties. We also have investments 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 current and prior 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 six month periods ended June 30, 2002:

	Three Months Ended June 30, 2002	Six Months Ended June 30, 2002
Square feet in same store pool(1)	72,099,147	72,099,147
% of total square feet	85.6%	85.6%
Occupancy percentage at period end		
June 30, 2002	94.6%	94.6%
June 30, 2001	95.6%	95.6%
Tenant retention	73.3%	75.1%
Rent increases on lease commencements	(0.3)%	1.5%
Square feet leased	3,721,546	7,886,116
Cash basis net operating income growth % increase:		
Revenues	2.5%	1.9%
Expenses	7.1%	3.7%
Net operating income	1.0%	1.4%

(1) Excludes properties purchased or developments stabilized after December 31, 2000.

Item 3. ***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 June 30, 2002, 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 before unamortized debt premiums of $4.6 million as of June 30, 2002:

	Expected Maturity Date						
	2002	2003	2004	2005	2006	Thereafter	Total Debt
Fixed rate debt(1)	$42,664	$91,982	$99,256	$352,143	$181,980	$1,307,055	$2,075,080
Average interest rate	7.9%	7.8%	8.0%	7.3%	7.3%	7.4%	7.4%
Variable rate debt(2)	$ 584	$77,599	$29,513	$ 2,708	$ 7,968	$ 6,179	$ 124,551
Average interest rate	3.7%	3.0%	3.6%	3.9%	3.5%	3.4%	3.2%

(1) Represents 94.3% of all outstanding debt.

(2) Represents 5.7% of all outstanding debt.

If market rates of interest on our variable rate debt increased by 10% (or approximately 32 basis points), then the increase in interest expense on the variable rate debt would be approximately $0.4 million annually. As of June 30, 2002 the estimated fair value of our fixed rate debt was $2,182.3 million.

PART II

Item 1. ***Legal Proceedings***

As of June 30, 2002, 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***

On July 31, 2002, AMB Property II, L.P., one of our subsidiaries, repurchased 130,000 7.95% Series F Cumulative Redeemable Preferred Limited Partnership Units and all 20,000 of its outstanding 7.95% Series G Cumulative Redeemable Preferred Limited Partnership Units from a single institutional investor. We reclassified as preferred stock the corresponding 130,000 shares of Series F preferred stock and the corresponding 20,000 shares of Series G preferred stock. We redeemed the units for an aggregate cost of $7.1 million, including accrued and unpaid dividends.

Item 3. ***Defaults Upon Senior Securities***

None.

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

We held our Annual Meeting of Stockholders on May 30, 2002.

The stockholders voted to elect nine directors, who are listed below, to our Board of Directors to serve until the next annual meeting of stockholders and until their successors are duly elected and qualified. The stockholders' votes with respect to the election of directors were as follows:

	For	Against or Withheld
Hamid R. Moghadam	58,713,305	1,986,940
W. Blake Baird	60,037,564	662,681
T. Robert Burke	60,038,464	661,781
Daniel H. Case III	58,351,580	2,348,665
David A. Cole	60,038,364	661,881
Lynn M. Sedway	58,286,139	2,414,106
Jeffrey L. Skelton	58,648,164	2,052,081
Thomas W. Tusher	60,038,464	661,781
Caryl B. Welborn	58,712,878	1,987,367

The stockholders also voted to approve the 2002 Stock Option and Incentive Plan of AMB Property Corporation and AMB Property, L.P., authorizing and reserving for issuance thereunder 10,000,000 shares of the common stock of AMB Property Corporation. The stockholders' vote with respect to the 2002 Stock Option and Incentive Plan was as follows:

	For	Against or Withheld	Votes Abstained	Broker Non-Votes
2002 Stock Option Plan	44,770,240	12,418,439	80,891	3,430,675

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.

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. 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 customers are impacted by future attacks, their businesses similarly could be adversely affected, including their ability to continue to honor their existing leases.

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 8.0% of our industrial properties (based on annualized base rent) as of June 30, 2002, will expire on or prior to December 31, 2002. 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 June 30, 2002, represented approximately 27.9% of the aggregate square footage of our industrial operating properties as of June 30, 2002, and 35.1% of our industrial annualized base rent. Annualized base rent means the monthly contractual amount under existing leases as of June 30, 2002, 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 California's economy or 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. (See "Some Potential Losses are not Covered by Insurance".)

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. Although we have obtained coverage for certain acts of terrorism, with policy specifications and insured limits that we believe are commercially reasonable, it is not certain that we will be able to collect under such policies. Certain losses such as losses due to terrorism, 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, including any obligations incurred by the operating partnership as the general partner of the co-investment joint ventures. Any such liabilities 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 June 30, 2002, 292 industrial buildings aggregating approximately 23.5 million square feet (representing 27.9% of our industrial operating properties based on aggregate square footage and 35.1% based on industrial 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 Capital Partners, LLC, 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, which we believe is commercially reasonable. 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 June 30, 2002, 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 June 30, 2002, we owned approximately 33.5 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 Divestitures on Advantageous Terms

We have decided to divest ourselves of retail centers and industrial properties that 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. 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.

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.

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 June 30, 2002, we had total debt outstanding of approximately $2.2 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 June 30, 2002, we had $52.0 million outstanding under our Alliance Fund II secured credit facility, no outstanding balance on our unsecured credit facility, and we had seven secured loans with an aggregate principal amount of $72.6 million, which bear interest at variable rates (with weighted average interest rate of 3.5% as of June 30, 2002). 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 June 30, 2002, we had 23 non-recourse secured loans, which are cross-collateralized by 59 properties, totaling $676.5 million (not including unamortized debt premium). 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 19 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.

Our Former Independent Public Accountant, Arthur Andersen LLP, Has Been Found Guilty of Federal Obstruction of Justice Charges

Although we dismissed Arthur Andersen, LLP as our independent public accountants and engaged PricewaterhouseCoopers LLP on May 8, 2002, our consolidated financial statements as of and for each of the fiscal years ended December 31, 2001, 2000 and 1999 included in our Annual Report on Form 10-K for the fiscal year ended December 31, 2001 were audited by Arthur Andersen. In light of the jury conviction of Arthur Andersen on obstruction of justice charges and the underlying events, Arthur Andersen has informed the Securities and Exchange Commission that it will cease practicing before the Securities and Exchange Commission by August 31, 2002, unless the Securities and Exchange Commission determines another date is appropriate. A substantial number of Arthur Andersen's personnel have already left the firm, including the individuals responsible for auditing our audited financial statements in our Annual Report on Form 10-K for the fiscal year ended December 31, 2001, and substantially all remaining personnel are expected to do so in the near future. Because it is unlikely that Arthur Andersen will survive, our stockholders are unlikely to be able to exercise effective remedies or collect judgments against them. Moreover, Arthur Andersen has informed us that it is no longer able to reissue its audit reports because both the partner and the audit manager who were assigned to our account have left the firm. In addition, Arthur Andersen is unable to perform procedures to assure the continued accuracy of its report on our audited financial statements in our Annual Report on Form 10-K for the fiscal year ended December 31, 2001, or to provide other information or documents that would customarily be received by us or underwriters in connection with financings or other transactions, including consents and "comfort" letters. As a result, we may encounter delays, additional expense, and other difficulties in future financings. Any resulting delay in accessing public capital markets could adversely affect our financial condition and results of operations. However, we believe that our sources of working capital, specifically our cash flow from operations and borrowings available under our unsecured credit facility, are adequate for us to meet our liquidity requirements for the foreseeable future.

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 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. 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 June 30, 2002, Aspire Development, L.P. owns interests in several retail development projects in the U.S., which are individually less than 10,000 feet. In addition, Messrs. 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. 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, with a market value of approximately $2.2 million. Messrs. Moghadam and Burke each have a 26.7% interest in the partnership, each with a market value of approximately $2.9 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 July 23, 2002, our two largest stockholders, Morgan Stanley Investment Management, Inc. (with respect to various client accounts for which Morgan Stanley Investment Management, Inc. serves as investment advisor) and Cohen & Steers Capital Management, Inc. (with respect to various client accounts for which Cohen & Steers Capital Management, Inc. serves as investment advisor) beneficially owned 10.4% of our outstanding common stock. In addition, our executive officers and directors beneficially owned 4.3% of our outstanding common stock as of August 2, 2002, 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 failing 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 customers 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 customers, 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 others on a 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 through the operating partnership. 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. As a result of an administrative error, it is possible that an election to treat one of our subsidiaries as a "taxable REIT subsidiary" may not have been timely filed. We do not believe that our status as a real estate investment trust would be impacted as the result of such an error, however, we are currently attempting to resolve this issue definitively with the Internal Revenue Service.

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 in 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 IMD Holding Corporation and Headlands Realty Corporation. IMD Holding Corporation and Headlands Realty Corporation, as taxable REIT 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 were to argue successfully 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 qualification as a real estate investment trust for federal income tax purposes.

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.

We May Be Unable to Effectively Manage Our International Growth

We expect to acquire or develop additional properties in foreign countries. Local markets affect our operations and, therefore, we would be subject to economic fluctuations in foreign locations. Our international operations also would be subject to the usual risks of doing business abroad such as the revaluation of currencies, revisions in tax treaties or other laws governing the taxation of revenues, restrictions on the transfer of funds, and, in certain parts of the world, political instability. We cannot predict the likelihood that any such

developments may occur. Further, we may enter into agreements with non-U.S. entities that are governed by the laws of, and are subject to dispute resolution in, the courts of another country or region. We cannot accurately predict whether such a forum would provide us with an effective and efficient means of resolving disputes that may arise. Even if we are able to obtain a satisfactory decision through arbitration or a court proceeding, we could have difficulty enforcing any award or judgment on a timely basis. Our business has grown rapidly and continues to grow through property acquisitions and developments. If we fail to effectively manage our international 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.

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.

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 customers (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 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 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.

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 causing the 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.

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 expectations 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.

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.

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.

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 the option of the operating partnership, 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 4,932,916 common limited partnership units as of June 30, 2002. As of June 30, 2002, we had reserved 17,676,392 shares of common stock for issuance under our Stock Option and Incentive Plans (not including shares that we have already issued) and, as of June 30, 2002, we had granted to certain directors, officers, and employees options to purchase 9,298,341 shares of common stock (excluding forfeitures and 557,700 shares that we have issued pursuant to the exercise of options). As of June 30, 2002, we had granted 715,908 restricted shares of common stock, excluding 4,877 shares that 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 registration statements with respect to the shares of common stock issuable under our Stock Option and Incentive Plans. 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.

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 K Cumulative Redeemable Preferred Stock (incorporated by reference to Exhibit 3.1 of AMB Property Corporation’s Current Report on Form 8-K filed on April 23, 2002).
3.2	Articles Supplementary Redesignating and Reclassifying 130,000 Shares of 7.95% Series F Cumulative Redeemable Preferred Stock as Preferred Stock.
3.3	Articles Supplementary Redesignating and Reclassifying all 20,000 Shares of 7.95% Series G Cumulative Redeemable Preferred Stock as Preferred Stock.
4.1	Registration Rights Agreement among the Registrant, AMB Property, L.P., and the unitholders signatory thereto dated April 17, 2002 (incorporated by reference to Exhibit 4.1 of AMB Property Corporation’s Current Report on Form 8-K filed on April 23, 2002).
10.1	Sixth Amended and Restated Agreement of Limited Partnership of AMB Property, L.P., dated April 17, 2002 (incorporated by reference to Exhibit 10.1 of AMB Property Corporation’s Current Report on Form 8-K filed on April 23, 2002).
10.2	Eleventh Amended and Restated Agreement of Limited Partnership of AMB Property II, L.P., dated July 31, 2002.

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

- AMB Property Corporation filed a Current Report on Form 8-K on April 11, 2002, in connection with its first quarter 2002 earnings release.

- AMB Property Corporation filed a Current Report on Form 8-K on April 23, 2002, in connection with the issuance and sale by AMB Property, L.P. of 800,000 7.95% Series K Cumulative Redeemable Preferred Limited Partnership Units and the filing by AMB Property Corporation of Articles Supplementary establishing and fixing the rights and preferences of the 7.95% Series K Cumulative Redeemable Preferred Stock.

- AMB Property Corporation filed a Current Report on Form 8-K on May 8, 2002, in connection with its dismissal of its independent auditors, Arthur Andersen LLP and its engagement of PricewaterhouseCoopers LLP as its new independent auditors for the current fiscal year ending December 31, 2002.

- AMB Property Corporation filed a Current Report on Form 8-K on July 9, 2002, in connection with its second quarter 2002 earnings release.

- AMB Property Corporation filed Amendment No. 1 to Current Report on Form 8-K on July 10, 2002, correcting certain typographical errors in connection with its second quarter 2002 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/ HAMID R. MOGHADAM

Hamid R. Moghadam
Chairman of the Board and
Chief Executive Officer
(Duly Authorized Officer and
Principal Executive Officer)

By: /s/ W. BLAKE BAIRD

W. Blake Baird
President and Director
(Duly Authorized Officer)

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: August 9, 2002

EXHIBIT 3.2

AMB PROPERTY CORPORATION

ARTICLES SUPPLEMENTARY

REDESIGNATING AND RECLASSIFYING 130,000 SHARES OF 7.95%
SERIES F CUMULATIVE REDEEMABLE PREFERRED STOCK
AS PREFERRED STOCK

AMB Property Corporation, a corporation organized and existing under the laws of the State of Maryland (the "Corporation"), certifies to the State Department of Assessments and Taxation of Maryland (the "SDAT") that:

FIRST: Pursuant to the authority expressly vested in the Board of Directors of the Corporation (the "Board") by Article IV of the Charter of the Corporation and pursuant to Section 2-105 of the Maryland General Corporation Law, the Board, or a duly authorized Committee thereof, adopted resolutions dated March 22, 2000 and caused to be filed with the SDAT on March 23, 2000 Articles Supplementary (the "Series F Articles Supplementary") classifying and designating 397,439 shares of Preferred Stock, par value $0.01 per share (the "Preferred Stock"), as shares of 7.95% Series F Cumulative Redeemable Preferred Stock, par value $0.01 per share (the "Series F Preferred Stock").

SECOND: No shares of Series F Preferred Stock are issued or outstanding.

THIRD: Pursuant to the authority expressly vested in the Board as aforesaid, the Board adopted resolutions on or as of August 1, 2002 (the "Resolutions") reclassifying 130,000 shares of the 397,439 shares of Series F Preferred Stock previously classified pursuant to the Series F Articles Supplementary, to be and become shares of Preferred Stock of the Corporation as otherwise authorized for issuance under the Charter of the Corporation, without further designation nor any preferences or relative, participating, optional, conversion or other rights appertaining thereto, or voting powers, restrictions, limitations as to dividends, qualifications, terms or conditions of redemption, other than those, if any, applicable to shares of Preferred Stock of the Corporation generally, such that the same, as shares of Preferred Stock otherwise authorized for issuance under the Charter, shall be available for future reclassification and available for issuance upon proper authorization by the Board from time to time. The remaining 267,439 shares of Series F Preferred Stock classified as such pursuant to the Series F Articles Supplementary shall remain as such, until such time, if ever, as may be determined otherwise in accordance with applicable law.

FOURTH: The 130,000 shares of Series F Preferred Stock, as aforesaid, have been redesignated and reclassified by the Board, as contemplated by the Resolutions, under the authority contained in the Charter.

FIFTH: These Articles Supplementary have been approved by the Board in the manner and by the vote required by law.

SIXTH: These Articles Supplementary shall be effective at the time the SDAT accepts them for record.

SEVENTH: The undersigned President of the Corporation acknowledges these Articles Supplementary to be the act of the Corporation and, as to all matters or facts required to be verified under oath, the undersigned President acknowledges that to the best of his knowledge, information and belief, these matters and facts are true in all material respects and that this statement is made under the penalties for perjury.

[SIGNATURE PAGE FOLLOWS]

IN WITNESS WHEREOF, the Corporation has caused these Articles Supplementary to be executed under seal in its name and on its behalf by its President and attested to by its Secretary on this 7th day of August, 2002.

AMB PROPERTY CORPORATION

By: /s/ W. Blake Baird

W. Blake Baird
President

ATTEST:

/s/ Tamra D. Browne
- ------------------------------
Tamra D. Browne
Secretary

AMB PROPERTY CORPORATION

ARTICLES SUPPLEMENTARY

REDESIGNATING AND RECLASSIFYING ALL 20,000 SHARES OF 7.95% SERIES G CUMULATIVE REDEEMABLE PREFERRED STOCK AS PREFERRED STOCK

AMB Property Corporation, a corporation organized and existing under the laws of the State of Maryland (the "Corporation"), certifies to the State Department of Assessments and Taxation of Maryland (the "SDAT") that:

FIRST: Pursuant to the authority expressly vested in the Board of Directors of the Corporation (the "Board") by Article IV of the Charter of the Corporation and pursuant to Section 2-105 of the Maryland General Corporation Law, the Board, or a duly authorized Committee thereof, adopted resolutions dated August 29, 2000 and caused to be filed with the SDAT on August 30, 2000 Articles Supplementary (the "Series G Articles Supplementary") classifying and designating 20,000 shares of Preferred Stock, par value $0.01 per share (the "Preferred Stock"), as shares of 7.95% Series G Cumulative Redeemable Preferred Stock, par value $0.01 per share (the "Series G Preferred Stock").

SECOND: No shares of Series G Preferred Stock are issued or outstanding.

THIRD: Pursuant to the authority expressly vested in the Board as aforesaid, the Board adopted resolutions on or as of August 1, 2002 (the "Resolutions") reclassifying the 20,000 shares of Series G Preferred Stock (the "Shares") previously classified pursuant to the Series G Articles Supplementary, to be and become shares of Preferred Stock of the Corporation as otherwise authorized for issuance under the Charter of the Corporation, without further designation nor any preferences or relative, participating, optional, conversion or other rights appertaining thereto, or voting powers, restrictions, limitations as to dividends, qualifications, terms or conditions of redemption, other than those, if any, applicable to shares of Preferred Stock of the Corporation generally, such that the same, as shares of Preferred Stock otherwise authorized for issuance under the Charter, shall be available for future reclassification and available for issuance upon proper authorization by the Board from time to time.

FOURTH: The Shares have been redesignated and reclassified by the Board, as contemplated by the Resolutions, under the authority contained in the Charter.

FIFTH: These Articles Supplementary have been approved by the Board in the manner and by the vote required by law.

SIXTH: These Articles Supplementary shall be effective at the time the SDAT accepts them for record.

SEVENTH: The undersigned President of the Corporation acknowledges these Articles Supplementary to be the act of the Corporation and, as to all matters or facts required to be verified under oath, the undersigned President acknowledges that to the best of his knowledge, information and belief, these matters and facts are true in all material respects and that this statement is made under the penalties for perjury.

[SIGNATURE PAGE FOLLOWS]

IN WITNESS WHEREOF, the Corporation has caused these Articles Supplementary to be executed under seal in its name and on its behalf by its President and attested to by its Secretary on this 7th day of August, 2002.

AMB PROPERTY CORPORATION

By: /s/ W. Blake Baird

W. Blake Baird

President

ATTEST:

/s/ Tamra D. Browne
- ------------------------------
Tamra D. Browne
Secretary

EXHIBIT 10.2

ELEVENTH AMENDED AND RESTATED

AGREEMENT OF LIMITED PARTNERSHIP

OF

AMB PROPERTY II, L.P.

TABLE OF CONTENTS

<TABLE>
<CAPTION>

		PAGE
<S>		<C>
ARTICLE 1. DEFINED TERMS AND RULES OF CONSTRUCTION		2
Section 1.1.	Definitions	2
ARTICLE 2. ORGANIZATIONAL MATTERS		20
Section 2.1.	Organization	20
Section 2.2.	Name	20
Section 2.3.	Resident Agent; Principal Office	21
Section 2.4.	Power of Attorney	21
Section 2.5.	Term	22
Section 2.6.	Number of Partners	22
ARTICLE 3. PURPOSE		23
Section 3.1.	Purpose and Business	23
Section 3.2.	Powers	23
Section 3.3.	Partnership Only for Purposes Specified	23
Section 3.4.	Representations and Warranties by the Parties	24
Section 3.5.	Certain ERISA Matters	26
ARTICLE 4. CAPITAL CONTRIBUTIONS		26
Section 4.1.	Capital Contributions of the Partners	26
Section 4.2.	Loans	26
Section 4.3.	Additional Funding and Capital Contributions	26
Section 4.4.	No Preemptive Rights	27
Section 4.5.	Other Contribution Provisions	27
ARTICLE 5. DISTRIBUTIONS		28
Section 5.1.	Requirement and Characterization of Distributions	28
Section 5.2.	Distributions in Kind	28
Section 5.3.	Distributions Upon Liquidation	29
Section 5.4.	Distributions to Reflect Issuance of Additional Partnership Interests	29
ARTICLE 6. ALLOCATIONS		29
Section 6.1.	Timing and Amount of Allocations of Net Income and Net Loss	29
Section 6.2.	General Allocations	29
Section 6.3.	Additional Allocation Provisions	31
Section 6.4.	Tax Allocations	33
ARTICLE 7. MANAGEMENT AND OPERATIONS OF BUSINESS		34
Section 7.1.	Management	34
Section 7.2.	Certificate of Limited Partnership	37
Section 7.3.	Restrictions on General Partner's Authority	38
Section 7.4.	Reimbursement of the General Partner	40
Section 7.5.	Outside Activities of the General Partner	40
Section 7.6.	Employee Benefit Plans	41
Section 7.7.	Indemnification	41
Section 7.8.	Liability of the General Partner	43
Section 7.9.	Other Matters Concerning the General Partner	44
Section 7.10.	Title to Partnership Assets	44
Section 7.11.	Reliance by Third Parties	45
ARTICLE 8. RIGHTS AND OBLIGATIONS OF LIMITED PARTNERS		45
Section 8.1.	Limitation of Liability	45

</TABLE>

<TABLE>
<S> <C>

Section 8.2. Management of Business.. 45
Section 8.3. Outside Activities of Limited Partners.. 46
Section 8.4. Return of Capital... 46
Section 8.5. Rights of Limited Partners Relating to the Partnership.......................... 46

ARTICLE 9. BOOKS, RECORDS, ACCOUNTING AND REPORTS.. 47

Section 9.1. Records and Accounting.. 47
Section 9.2. Fiscal Year... 47
Section 9.3. Reports... 48
Section 9.4. Nondisclosure of Certain Information.. 48

ARTICLE 10. TAX MATTERS... 48

Section 10.1. Preparation of Tax Returns.. 48
Section 10.2. Tax Elections... 48
Section 10.3. Tax Matters Partner... 49
Section 10.4. Organizational Expenses... 50
Section 10.5. Withholding... 50

ARTICLE 11. TRANSFERS AND WITHDRAWALS... 51

Section 11.1. Transfer.. 51
Section 11.2. Transfer of General Partner's and Common Limited Partner's Partnership Interest.. 51
Section 11.3. Preferred Limited Partners' Rights to Transfer.................................. 52
Section 11.4. Substituted Limited Partners.. 53
Section 11.5. Assignees... 54
Section 11.6. General Provisions.. 55

ARTICLE 12. ADMISSION OF PARTNERS... 57

Section 12.1. Admission of Successor General Partner.. 57
Section 12.2. Admission of Additional Limited Partners.. 57
Section 12.3. Amendment of Agreement and Certificate of Limited Partnership................... 58

ARTICLE 13. DISSOLUTION AND LIQUIDATION... 58

Section 13.1. Dissolution... 58
Section 13.2. Winding Up.. 59
Section 13.3. Compliance with Timing Requirements of Regulations.............................. 60
Section 13.4. Deemed Distribution and Recontribution.. 60
Section 13.5. Rights of Limited Partners.. 61
Section 13.6. Notice of Dissolution... 61
Section 13.7. Cancellation of Certificate of Limited Partnership.............................. 61
Section 13.8. Reasonable Time for Winding-Up.. 61
Section 13.9. Waiver of Partition... 61

ARTICLE 14. AMENDMENT OF PARTNERSHIP AGREEMENT; CONSENTS....................................... 62

Section 14.1. Amendments.. 62
Section 14.2. Action by the Partners.. 62

ARTICLE 15. GENERAL PROVISIONS.. 63

Section 15.1. Addresses and Notice.. 63
Section 15.2. Titles and Captions... 63
Section 15.3. Pronouns and Plurals.. 63
Section 15.4. Further Action.. 63
Section 15.5. Binding Effect.. 63
Section 15.6. Creditors... 64
Section 15.7. Waiver.. 64
Section 15.8. Counterparts.. 64
Section 15.9. Applicable Law.. 64
Section 15.10. Invalidity of Provisions.. 64

</TABLE>

<TABLE>
<S> <C>

Section 15.11. Entire Agreement... 64
Section 15.12. No Rights as Stockholders.. 64

ARTICLE 16. INTENTIONALLY OMITTED... 65

ARTICLE 17. SERIES D PREFERRED UNITS........ 65

Section 17.1. Designation and Number........ 65
Section 17.2. Ranking........ 65
Section 17.3. Distributions........ 65
Section 17.4. Liquidation Proceeds........ 67
Section 17.5. Series D Redemption........ 67
Section 17.6. Voting and Certain Management Rights........ 69
Section 17.7. Transfer Restrictions........ 71
Section 17.8. Exchange Rights........ 71
Section 17.9. No Conversion Rights........ 75
Section 17.10. No Sinking Fund........ 75

ARTICLE 18. SERIES E PREFERRED UNITS........ 76

Section 18.1. Designation and Number........ 76
Section 18.2. Ranking........ 76
Section 18.3. Distributions........ 76
Section 18.4. Liquidation Proceeds........ 78
Section 18.5. Series E Redemption........ 78
Section 18.6. Voting and Certain Management Rights........ 80
Section 18.7. Transfer Restrictions........ 82
Section 18.8. Exchange Rights........ 82
Section 18.9. No Conversion Rights........ 86
Section 18.10. No Sinking Fund........ 86

ARTICLE 19. SERIES F PREFERRED UNITS........ 87

Section 19.1. Designation and Number........ 87
Section 19.2. Ranking........ 87
Section 19.3. Distributions........ 87
Section 19.4. Liquidation Proceeds........ 89
Section 19.5. Series F Redemption........ 89
Section 19.6. Voting and Certain Management Rights........ 91
Section 19.7. Transfer Restrictions........ 93
Section 19.8. Exchange Rights........ 93
Section 19.9. No Conversion Rights........ 98
Section 19.10. No Sinking Fund........ 98

ARTICLE 20. INTENTIONALLY OMITTED........ 98

ARTICLE 21. SERIES H PREFERRED UNITS........ 98

Section 21.1. Designation and Number........ 98
Section 21.2. Ranking........ 99
Section 21.3. Distributions........ 99
Section 21.4. Liquidation Proceeds........101
Section 21.5. Series H Redemption........101
Section 21.6. Voting and Certain Management Rights........102
Section 21.7. Transfer Restrictions........105
Section 21.8. Exchange Rights........105
Section 21.9. No Conversion Rights........109
Section 21.10. No Sinking Fund........109

ARTICLE 22. SERIES I PREFERRED UNITS........110

Section 22.1. Designation and Number........110

</TABLE>

<TABLE>
<S> <C>

Section 22.2. Ranking........110
Section 22.3. Distributions........110
Section 22.4. Liquidation Proceeds........112
Section 22.5. Series I Redemption........112
Section 22.6. Voting and Certain Management Rights........114
Section 22.7. Transfer Restrictions........116
Section 22.8. Exchange Rights........116
Section 22.9. No Conversion Rights........120
Section 22.10. No Sinking Fund........121

</TABLE>

ELEVENTH AMENDED AND RESTATED

AGREEMENT OF LIMITED PARTNERSHIP

OF

AMB PROPERTY II, L.P.

THIS ELEVENTH AMENDED AND RESTATED AGREEMENT OF LIMITED PARTNERSHIP, dated as of July 31, 2002, is entered into by and among AMB Property Holding Corporation, a Maryland corporation (the "Company"), as the General Partner, and the Persons whose names are set forth on Exhibit A attached hereto, as the Limited Partners (the "Existing Limited Partners"), together with any other Persons who become Partners in the Partnership as provided herein.

WHEREAS, the General Partner and the Existing Limited Partners are parties to that certain Tenth Amended and Restated Agreement of

Limited Partnership, dated December 6, 2001, as amended;

WHEREAS, on November 24, 1998, Belcrest Realty Corporation, a Delaware corporation and Belair Real Estate Corporation, a Delaware corporation (each a "Contributor" and, together the "Contributors") made an aggregate Capital Contribution of $110,000,000, in cash, to the Partnership in exchange for which the Contributors received an aggregate of 2,200,000 Series C Preferred Units in the Partnership;

WHEREAS, on May 5, 1999, J.P. Morgan Mosaic Fund, LLC, a Delaware limited liability company (the "Series D Contributor") made a

Capital Contribution of $79,766,850, in cash, to the Partnership in exchange for which the Series D Contributor received 1,595,337 Series D Preferred Units in the Partnership;

WHEREAS, on August 31, 1999, Fifth Third Equity Exchange Fund 1999, LLC, a Delaware limited liability company (the "Series E Contributor") made a Capital Contribution of $11,022,000, in cash, to the Partnership in exchange for which the Series E Contributor received 220,440 Series E Preferred Units in the Partnership;

WHEREAS, on March 22, 2000, Bailard, Biehl & Kaiser Technology Exchange Fund, LLC, a Delaware limited liability company (the "Series F Contributor") made a Capital Contribution of $19,871,950, in cash, to the Partnership in exchange for which the Series F Contributor received 397,439 Series F Preferred Units in the Partnership;

WHEREAS, on August 29, 2000, Bailard, Biehl & Kaiser Technology Exchange Fund, LLC, a Delaware limited liability company (the "Series G Contributor") made a Capital Contribution of $1,000,000, in cash, to the Partnership in exchange for which the Series G Contributor received 20,000 Series G Preferred Units in the Partnership;

WHEREAS, on September 1, 2000, J.P. Morgan Mosaic Fund IV, LLC, a Delaware limited liability company (the "Series H Contributor") made a Capital Contribution of $42,000,000, in cash, to the Partnership in exchange for which the Series H Contributor received 840,000 Series H Preferred Units in the Partnership;

WHEREAS, on March 21, 2001, J.P. Morgan Chase Mosaic Fund V, LLC, a Delaware limited liability company (the "Series I Contributor") made a Capital Contribution of $25,500,000, in cash, to the Partnership in exchange for which the Series I Contributor received 510,000 Series I Preferred Units in the Partnership;

WHEREAS, pursuant to Section 7.3D(ii), this Agreement may be amended by the General Partner to reflect the termination of or reduction in Partnership Units or the withdrawal of Partners; and

WHEREAS, on the date hereof, the Partnership has repurchased and redeemed 130,000 of the Series F Preferred Units and all 20,000 of the outstanding Series G Preferred Units from the Series F and G Limited Partner pursuant to the terms of a Preferred Unit Repurchase Agreement, entered into by and among the Partnership, the General Partner and the Series F and G Limited Partner.

WHEREAS, pursuant to the authority granted to the General Partner under this Agreement, the General Partner desires to amend and restate this Agreement to reflect the reduction of outstanding Series F Preferred Units and the elimination of the Series G Preferred Units reflected on Exhibit A hereto; and

WHEREAS, by virtue of the execution of this Agreement by the Company in its capacity as General Partner of the Partnership, the General Partner hereby consents to the amendment and restatement of the Tenth Amended and Restated Agreement of Limited Partnership.

NOW, THEREFORE, for good and adequate consideration, the receipt of which is hereby acknowledged, the parties hereto agree as follows:

ARTICLE 1.
DEFINED TERMS AND RULES OF CONSTRUCTION

Section 1.1. Definitions

The following definitions shall be for all purposes, unless otherwise clearly indicated to the contrary, applied to the terms used in this Agreement.

"Act" means the Delaware Revised Uniform Limited Partnership Act, as it may be amended from time to time, and any successor to such statute.

"Additional Funds" shall have the meaning set forth in Section 4.3.A.

"Additional Limited Partner" means a Person admitted to the Partnership as a Limited Partner pursuant to Section 12.2 and who is shown as such on the books and records of the Partnership.

"Adjusted Capital Account Deficit" means, with respect to any Partner, the deficit balance, if any, in such Partner's Capital Account as of the end of the relevant fiscal year, after giving effect to the following adjustments:

(i) decrease such deficit by any amounts which such Partner is obligated to restore pursuant to this Agreement or is deemed to be obligated to restore pursuant to Regulations Section 1.704-1(b)(2)(ii)(c) or the penultimate sentence of each of Regulations Sections 1.704-2(i)(5) and 1.704-2(g); and

(ii) increase such deficit by the items described in Regulations Section 1.704-1(b)(2)(ii)(d)(4), (5) and (6).

The foregoing definition of Adjusted Capital Account Deficit is intended to comply with the provisions of Regulations Section 1.704-1(b)(2)(ii)(d) and shall be interpreted consistently therewith.

"Adjustment Date" shall have the meaning set forth in Section 4.3.D.

"Affiliate" means, with respect to any Person, any Person directly or indirectly controlling, controlled by or under common control with such Person.

"Agreed Value" means (i) in the case of any Contributed Property set forth in Exhibit A and as of the time of its contribution to the Partnership, the Agreed Value of such property as set forth in Exhibit A; (ii) in the case of any Contributed Property not set forth in Exhibit A and as of the time of its contribution to the Partnership, the fair market value of such property or other consideration as determined by the General Partner, reduced by any liabilities either assumed by the Partnership upon such contribution or to which such property is subject when contributed; and (iii) in the case of any property distributed to a Partner by the Partnership, the fair market value of such property as determined by the General Partner at the time such property is distributed, reduced by any indebtedness either assumed by such Partner upon such distribution or to which such property is subject at the time of the distribution as determined under Section 752 of the Code and the Regulations thereunder.

"Agreement" means this Eleventh Amended and Restated Agreement of Limited Partnership, as it may be amended, modified, supplemented or restated from time to time.

"AMB" means AMB Property Corporation, a Maryland corporation, in its capacity as the owner of 100% of the common stock of the General Partner and as the sole general partner of the Operating Partnership.

"Appraisal" means with respect to any assets, the opinion of an independent third party experienced in the valuation of similar assets, selected by the General Partner in good faith; such opinion may be in the form of an opinion by such independent third party that the value for such asset as set by the General Partner is fair, from a financial point of view, to the Partnership.

"Assignee" means a Person to whom one or more Partnership Units have been transferred in a manner permitted under this Agreement, but who has not become a Substituted Limited Partner, and who has the rights set forth in Section 11.5.

"Available Cash" means, with respect to any period for which such calculation is being made, (i) the sum of:

(a) the Partnership's Net Income or Net Loss (as the case may be) for such period,

(b) Depreciation and all other noncash charges deducted in determining Net Income or Net Loss for such period,

(c) the amount of any reduction in reserves of the Partnership referred to in clause (ii)(f) below (including, without limitation, reductions resulting because the General Partner determines such amounts are no longer necessary),

(d) the excess of the net proceeds from the sale, exchange, disposition, or refinancing of Partnership property for such period over the gain (or loss, as the case may be) recognized from any such sale, exchange, disposition, or refinancing during such period, and

(e) all other cash received by the Partnership for such period that was not included in determining Net Income or Net Loss for such period;

(ii) less the sum of:

(a) all principal debt payments made during such period by the Partnership,

(b) capital expenditures made by the Partnership during such period,

(c) investments in any entity (including loans made thereto) to the extent that such investments are not otherwise described in clauses (ii)(a) or (b),

(d) all other expenditures and payments not deducted in determining Net Income or Net Loss for such period,

(e) any amount included in determining Net Income or Net Loss for such period that was not received by the Partnership during such period,

(f) the amount of any increase in reserves established during such period which the General Partner determines are necessary or appropriate in its sole and absolute discretion, and

(g) the amount of any working capital accounts and other cash or similar balances which the General Partner determines to be necessary or appropriate in its sole and absolute discretion.

Notwithstanding the foregoing, Available Cash shall not include any cash received or reductions in reserves, or take into account any disbursements made or reserves established, after commencement of the dissolution and liquidation of the Partnership.

"Board of Directors" means the Board of Directors of AMB.

"Business Day" means each day, other than a Saturday or a Sunday, which is not a day on which banking institutions in Los Angeles, California or New York, New York are authorized or required by law, regulation or executive order to close.

"Capital Account" means, with respect to any Partner, the Capital Account maintained for such Partner in accordance with the following provisions:

(i) To each Partner's Capital Account there shall be added such Partner's Capital Contributions, such Partner's share of Net Income and any items in the nature of income or gain which are specially allocated pursuant to Section 6.3, and the amount of any Partnership liabilities assumed by such Partner or which are secured by any property distributed to such Partner.

(ii) From each Partner's Capital Account there shall be subtracted the amount of cash and the Gross Asset Value of any property distributed to such Partner pursuant to any provision of this Agreement, such Partner's distributive share of Net Losses and any items in the nature of expenses or losses which are specially allocated pursuant to Section 6.3 hereof, and the amount of any liabilities of such Partner assumed by the Partnership or which are secured by any property contributed by such Partner to the Partnership.

(iii) In the event any interest in the Partnership is transferred in accordance with the terms of this Agreement, the transferee shall succeed to the Capital Account of the transferor to the extent it relates to the transferred interest.

(iv) In determining the amount of any liability for purposes of subsections (i) and (ii) hereof, there shall be taken into account Code Section 752(c) and any other applicable provisions of the Code and Regulations.

(v) The foregoing provisions and the other provisions of this Agreement relating to the maintenance of Capital Accounts are intended to comply with Regulations Sections 1.704-1(b) and 1.704-2, and shall be interpreted and applied in a manner consistent with such Regulations. In the event the General Partner shall determine that it is prudent to modify the manner in which the Capital Accounts, or any debits or credits thereto (including, without limitation, debits or credits relating to liabilities which are secured by contributed or distributed property or which are assumed by the Partnership, the General Partner, or the Limited Partners) are computed in order to comply with such Regulations, the General Partner may make such modification; provided that, it is not likely to have a material effect on the amounts distributable to any Person pursuant to Article 13 of this Agreement upon the dissolution of the Partnership. The General Partner also shall (a) make any adjustments that are necessary or appropriate to maintain equality between the Capital Accounts of the Partners and the amount of Partnership capital reflected on the Partnership's balance sheet, as computed for book purposes, in accordance with Regulations Section 1.704-1(b)(2)(iv)(q) and (b) make any appropriate modifications in the event unanticipated events might otherwise cause this Agreement not to comply with Regulations Section 1.704-1(b) or Section 1.704-2.

"Capital Contribution" means, with respect to any Partner, the amount of money and the initial Gross Asset Value of any property (other than money) contributed to the Partnership by such Partner.

"Certificate" means the Certificate of Limited Partnership relating to the Partnership filed in the office of the Secretary of State of Delaware, as amended from time to time in accordance with the terms hereof and the Act.

"Charter" means the Company's Articles of Incorporation, as filed with the Maryland Department of Assessments and Taxation on November 24, 1997.

"Code" means the Internal Revenue Code of 1986, as amended from time to time or any successor statute thereto, as interpreted by the applicable regulations thereunder. Any reference herein to a specific section or sections of the Code shall be deemed to include a reference to any corresponding provision of future law.

"Common Unit" means each Partnership Unit that is not entitled to any preference with respect to any other Partnership Unit as to distribution or voluntary or involuntary liquidation, dissolution or winding up of the Partnership.

"Common Limited Partner" means any Person holding Common Units, and named as a Common Limited Partner in Exhibit A attached hereto, as such Exhibit may be amended from time to time, or any Substituted Limited Partner or Additional Limited Partner, in such Person's capacity as a Common Limited Partner in the Partnership.

"Consent" means the consent to, approval of, or vote on a proposed action by a Partner given in accordance with Article 14 hereof.

"Consent of the Limited Partners" means the Consent of a Majority in Interest of the Limited Partners, other than the Preferred Limited Partners, which Consent shall be obtained prior to the taking of any action for which it is required by this Agreement and may be given or withheld by a Majority in Interest of the Limited Partners, unless otherwise expressly provided herein, in their sole and absolute discretion.

"Consent of the Partners" means the Consent of Partners, other than the Preferred Limited Partners, holding Percentage Interests that in the aggregate are equal to or greater than a majority of the aggregate Percentage Interests of all Partners, other than the Preferred Limited Partners, which Consent shall be obtained prior to the taking of any action for which it is required by this Agreement and may be given or withheld by such Partners, in their sole and absolute discretion.

"Constructively Own" means ownership under the constructive ownership rules described in Exhibit C.

"Contributed Property" means each property or other asset, in such form as may be permitted by the Act, but excluding cash, contributed or deemed contributed to the Partnership (or, to the extent provided in applicable regulations, deemed contributed by the Partnership on termination and reconstitution thereof pursuant to Section 708 of the Code).

"Contributor" shall have the meaning given to such term in the recitals hereto.

"Debt" means, as to any Person, as of any date of determination: (i) all indebtedness of such Person for borrowed money or for the deferred purchase price of property

or services; (ii) all amounts owed by such Person to banks or other Persons in respect of reimbursement obligations under letters of credit, surety bonds and other similar instruments guaranteeing payment or other performance of obligations by such Person; (iii) all indebtedness for borrowed money or for the deferred purchase price of property or services secured by any lien on any property owned by such Person, to the extent attributable to such Person's interest in such property, even though such Person has not assumed or become liable for the payment thereof; and (iv) lease obligations of such Person which, in accordance with generally accepted accounting principles, should be capitalized.

"Depreciation" means, for each fiscal year or other period, an amount equal to the depreciation, amortization or other cost recovery deduction allowable with respect to an asset for such year or other period, except that if the Gross Asset Value of an asset differs from its adjusted basis for Federal income tax purposes at the beginning of such year or other period, Depreciation shall be an amount which bears the same ratio to such beginning Gross Asset Value as the Federal income tax depreciation, amortization or other cost recovery deduction for such year or other period bears to such beginning adjusted tax basis; provided, however, that if the Federal income tax depreciation, amortization or other cost recovery deduction for such year is zero, Depreciation shall be determined with reference to such beginning Gross Asset Value using any reasonable method selected by the General Partner.

"ERISA" means the Employee Retirement Income Security Act of 1974, as amended.

"Exchange Act" means the Securities Exchange Act of 1934, as amended, and the rules and regulations of the Securities and Exchange Commission promulgated thereunder.

"Funding Debt" means the incurrence of any Debt by or on behalf of the General Partner for the purpose of providing funds to the Partnership.

"Future Parity Preferred Capital" means, with respect to any series of Parity Preferred Units issued to Future Parity Preferred Unitholders following the date hereof, the product of (i) the number of Parity Preferred Units within such series then held by Preferred Limited Partners (other than the General Partner and the Operating Partnership) and (ii) the sum of the amount contributed to the Partnership per such Parity Preferred Unit by Preferred Limited Partners and the Preferred Distribution Shortfall with respect to each such Parity Preferred Unit, if any.

"Future Parity Preferred Unitholders" shall have the meaning set forth in Section 17.6.D.

"General Partner" means the Company or its successors as general partner of the Partnership.

"General Partner Interest" means a Partnership Interest held by the General Partner. A General Partner Interest may be expressed as a number of Partnership Units.

"Gross Asset Value" means, with respect to any asset, the asset's adjusted basis for Federal income tax purposes, except as follows:

(i) The initial Gross Asset Value of any asset contributed by a Partner to the Partnership shall be the gross fair market value of such asset, as determined by the contributing Partner and the General Partner (as set forth on Exhibit A attached hereto, as such Exhibit may be amended from time to time); provided, that if the contributing Partner is the General Partner then, except with respect to the General Partner's initial Capital Contribution which shall be determined as set forth on Exhibit A, or capital contributions of cash, the determination of the fair market value of the contributed asset shall be determined by (a) the price paid by the General Partner if the asset is acquired by the General Partner contemporaneously with its contribution to the Partnership or (b) by Appraisal if otherwise acquired by the General Partner.

(ii) Immediately prior to the times listed below, the Gross Asset Values of all Partnership assets shall be adjusted to equal their respective gross fair market values, as determined by the General Partner using such reasonable method of valuation as it may adopt:

(a) the acquisition of an additional interest in the Partnership by a new or existing Partner in exchange for more than a de

minimis Capital Contribution, if the General Partner reasonably determines that such adjustment is necessary or appropriate to reflect the relative economic interests of the Partners in the Partnership;

(b) the distribution by the Partnership to a Partner of more than a de minimis amount of Partnership property as consideration for an interest in the Partnership if the General Partner reasonably determines that such adjustment is necessary or appropriate to reflect the relative economic interests of the Partners in the Partnership;

(c) the liquidation of the Partnership within the meaning of Regulations Section 1.704-1(b)(2)(ii)(g); and

(d) at such other times as the General Partner shall reasonably determine necessary or advisable in order to comply with Regulations Sections 1.704-1(b) and 1.704-2.

(iii) The Gross Asset Value of any Partnership asset distributed to a Partner shall be the gross fair market value of such asset on the date of distribution as determined by the distributee and the General Partner; provided, that if the distributee is the General Partner, or if the distributee and the General Partner cannot agree on such a determination, by Appraisal.

(iv) The Gross Asset Values of Partnership assets shall be increased (or decreased) to reflect any adjustments to the adjusted basis of such assets pursuant to Code Section 734(b) or Code Section 743(b), but only to the extent that such adjustments are taken into account in determining Capital Accounts pursuant to Regulations Section 1.704-1(b)(2)(iv)(m); provided, however, that Gross Asset Values shall not be adjusted pursuant to this subparagraph (iv) to the extent that the General Partner reasonably determines that an adjustment pursuant to subparagraph (ii) is necessary or appropriate in connection with a transaction that would otherwise result in an adjustment pursuant to this subparagraph (iv).

(v) If the Gross Asset Value of a Partnership asset has been determined or adjusted pursuant to subparagraph (i), (ii) or (iv), such Gross Asset Value shall thereafter be

adjusted by the Depreciation taken into account with respect to such asset for purposes of computing Net Income and Net Losses.

"Holder" means either the Partner or Assignee owning a Partnership Unit.

"Immediate Family" means, with respect to any natural Person, such natural Person's estate or heirs or current spouse or former spouse, parents, parents-in-law, children, siblings and grandchildren and any trust or estate, all of the beneficiaries of which consist of such Person or such Person's spouse, former spouse, parents, parents-in-law, children, siblings or grandchildren.

"Incapacity" or "Incapacitated" means: (i) as to any individual Partner, death, total physical disability or entry by a court of competent jurisdiction adjudicating him or her incompetent to manage his or her Person or his or her estate; (ii) as to any corporation which is a Partner, the filing of a certificate of dissolution, or its equivalent, for the corporation or the revocation of its charter; (iii) as to any partnership which is a Partner, the dissolution and commencement of winding up of the partnership; (iv) as to any estate which is a Partner, the distribution by the fiduciary of the estate's entire interest in the Partnership; (v) as to any trustee of a trust which is a Partner, the termination of the trust (but not the substitution of a new trustee); or (vi) as to any Partner, the bankruptcy of such Partner. For purposes of this definition, bankruptcy of a Partner shall be deemed to have occurred when (a) the Partner commences a voluntary proceeding seeking liquidation, reorganization or other relief under any bankruptcy, insolvency or other similar law now or hereafter in effect, (b) the Partner is adjudged as bankrupt or insolvent, or a final and nonappealable order for relief under any bankruptcy, insolvency or similar law now or hereafter in effect has been entered against the Partner, (c) the Partner executes and delivers a general assignment for the benefit of the Partner's creditors, (d) the Partner files an answer or other pleading admitting or failing to contest the material allegations of a petition filed against the Partner in any proceeding of the nature described in clause (b) above, (e) the Partner seeks, consents to or acquiesces in the appointment of a trustee, receiver or liquidator for the Partner or for all or any substantial part of the Partner's properties, (f) any proceeding seeking liquidation, reorganization or other relief under any bankruptcy, insolvency or other similar law now or hereafter in effect has not been dismissed within one hundred and twenty (120) days after the commencement thereof, (g) the appointment without the Partner's consent or acquiescence of a trustee, receiver or liquidator has not been vacated or stayed within ninety

(90) days of such appointment or (h) an appointment referred to in clause (g) is not vacated within ninety (90) days after the expiration of any such stay.

"Indemnitee" means (i) any Person subject to a claim or demand or made or threatened to be made a party to, or involved or threatened to be involved in, an action, suit or proceeding by reason of his or her status as (a) the General Partner or (b) a director, officer, employee or agent of the Partnership or the General Partner and (ii) such other Persons (including Affiliates of the General Partner or the Partnership) as the General Partner may designate from time to time, in its sole and absolute discretion.

"IRS" means the Internal Revenue Service, which administers the internal revenue laws of the United States.

"Junior Stock" means shares of capital stock of AMB representing any class or series of equity interest ranking, as to distributions and voluntary or involuntary liquidation, dissolution or winding up of AMB, junior to the Series D Preferred Shares, the Series E Preferred Shares, the Series F Preferred Shares, the Series H Preferred Shares and the Series I Preferred Shares.

"Junior Units" means Partnership Units representing any class or series of Partnership Interest ranking, as to distributions and voluntary or involuntary liquidation, dissolution or winding up of the Partnership, junior to the Series D Preferred Units, the Series E Preferred Units, the Series F Preferred Units, the Series H Preferred Units and the Series I Preferred Units.

"Limited Partner" means any Person named as a Limited Partner in Exhibit A attached hereto, as such Exhibit may be amended from time to time, any Substituted Limited Partner or Additional Limited Partner, in such Person's capacity as a Limited Partner in the Partnership.

"Limited Partnership Interest" means a Partnership Interest of a Limited Partner representing a fractional part of the Partnership Interests of all Limited Partners and includes any and all benefits to which the holder of such a Partnership Interest may be entitled as provided in this Agreement, together with all obligations of such Person to comply with the terms and provisions of this Agreement. A Limited Partnership Interest may be expressed as a number of Partnership Units.

"Liquidating Events" shall have the meaning set forth in Section 13.1.

"Liquidator" shall have the meaning set forth in Section 13.2.A.

"Majority in Interest of the Limited Partners" means Limited Partners (other than any Preferred Limited Partner) holding Percentage Interests that in the aggregate are greater than fifty percent (50%) of the aggregate Percentage Interests of all Limited Partners (other than any Preferred Limited Partner).

"Majority in Interest of Partners" means Partners (other than Preferred Limited Partners) holding Percentage Interests that are greater than fifty percent (50%) of the aggregate Percentage Interests of all Partners (other than Preferred Limited Partners).

"Net Income" or "Net Loss" means for each fiscal year of the Partnership, an amount equal to the Partnership's taxable income or loss for such fiscal year, determined in accordance with Code Section 703(a) (for this purpose, all items of income, gain, loss or deduction required to be stated separately pursuant to Code Section 703(a)(1) shall be included in taxable income or loss), with the following adjustments:

(i) Any income of the Partnership that is exempt from Federal income tax and not otherwise taken into account in computing Net Income or Net Loss pursuant to this definition of Net Income or Net Loss shall be added to such taxable income or loss;

(ii) Any expenditures of the Partnership described in Code Section 705(a)(2)(B) or treated as Code Section 705(a)(2)(B) expenditures pursuant to Regulations

Section 1.704-1(b)(2)(iv)(i), and not otherwise taken into account in computing Net Income or Net Loss pursuant to this definition of Net Income or Net Loss shall be subtracted from such taxable income or loss;

(iii) In the event the Gross Asset Value of any Partnership asset is adjusted pursuant to subparagraph (ii) or (iii) of the definition of Gross Asset Value, the amount of such adjustment shall be taken into account as gain or loss from the disposition of such asset for purposes of computing Net Income or Net

Loss;

(iv) Gain or loss resulting from any disposition of property with respect to which gain or loss is recognized for Federal income tax purposes shall be computed by reference to the Gross Asset Value of the property disposed of, notwithstanding that the adjusted tax basis of such property differs from its Gross Asset Value;

(v) In lieu of the depreciation, amortization, and other cost recovery deductions taken into account in computing such taxable income or loss, there shall be taken into account Depreciation for such fiscal year;

(vi) To the extent an adjustment to the adjusted tax basis of any Partnership asset pursuant to Code Section 734(b) or Code Section 743(b) is required pursuant to Regulations Section 1.704-1(b)(2)(iv)(m)(4) to be taken into account in determining Capital Accounts as a result of a distribution other than in liquidation of a Partner's interest in the Partnership, the amount of such adjustment shall be treated as an item of gain (if the adjustment increases the basis of the asset) or loss (if the adjustment decreases the basis of the asset) from the disposition of the asset and shall be taken into account for purposes of computing Net Income or Net Loss; and

(vii) Notwithstanding any other provision of this definition of Net Income or Net Loss, any items which are specially allocated pursuant to Section 6.3 shall not be taken into account in computing Net Income or Net Loss. The amounts of the items of Partnership income, gain, loss, or deduction available to be specially allocated pursuant to Section 6.3 shall be determined by applying rules analogous to those set forth in this definition of Net Income or Net Loss.

Solely for purposes of allocating Net Income or Net Loss in any Fiscal Year to the Holders of the Series D Preferred Units, the Series E Preferred Units, the Series F Preferred Units, the Series H Preferred Units and the Series I Preferred Units pursuant to Sections 6.2.B.1(c) and (e), and Section 6.2.B.2(b), items of Net Income and Net Loss, as the case may be, shall not include Depreciation with respect to properties that are "ceiling limited" in respect of Preferred Limited Partners. For purposes of the preceding sentence, Partnership property shall be considered ceiling limited in respect of a Preferred Limited Partner if Depreciation attributable to such Partnership property which would otherwise be allocable to such Partner, without regard to this paragraph, exceeded depreciation determined for federal income tax purposes attributable to such Partnership property which would otherwise be allocable to such Partner by more than 5%.

"Nonrecourse Deductions" shall have the meaning set forth in Regulations Section 1.704-2(b)(1), and the amount of Nonrecourse Deductions for a Partnership Year shall be determined in accordance with the rules of Regulations Section 1.704-2(c).

"Nonrecourse Liability" shall have the meaning set forth in Regulations Section 1.752-1(a)(2).

"Notice of Redemption" means the Notice of Redemption substantially in the form of Exhibit B to this Agreement.

"Operating Partnership" means AMB Property, L.P., a Delaware limited partnership.

"Parity Preferred Capital" means the sum of (i) the aggregate Series D Preferred Capital for all Holders of Series D Preferred Units (other than the General Partner and the Operating Partnership), (ii) the aggregate Series E Preferred Capital for all Holders of Series E Preferred Units (other than the General Partner and the Operating Partnership), (iii) the aggregate Series F Preferred Capital for all Holders of Series F Preferred Units (other than the General Partner and the Operating Partnership), (iv) the aggregate Series H Preferred Capital for all Holders of Series H Preferred Units (other than the General Partner and the Operating Partnership), (v) the aggregate Series I Preferred Capital for all Holders of Series I Preferred Units (other than the General Partner and the Operating Partnership) and (vi) the aggregate Future Parity Preferred Capital for each series of Preferred Units issued following the date hereof.

"Parity Preferred Stock" means any class or series of equity interest of AMB now or hereafter authorized, issued or outstanding expressly designated by AMB to rank on a parity with the Series D Preferred Shares, the Series E Preferred Shares, the Series F Preferred Shares, the Series H Preferred Shares and the Series I Preferred Shares with respect to distributions and rights upon voluntary or involuntary liquidation, winding up or dissolution of AMB.

"Parity Preferred Unit" means any class or series of Partnership Interests of the Partnership now or hereafter authorized, issued or outstanding

expressly designated by the Partnership to rank on a parity with the Series D Preferred Units, the Series E Preferred Units, the Series F Preferred Units, the Series H Preferred Units and the Series I Preferred Units with respect to distributions and rights upon voluntary or involuntary liquidation, winding up or dissolution of the Partnership.

"Partner" means a General Partner or a Limited Partner, and "Partners" means the General Partner and the Limited Partners.

"Partner Minimum Gain" means an amount, with respect to each Partner Nonrecourse Debt, equal to the Partnership Minimum Gain that would result if such Partner Nonrecourse Debt were treated as a Nonrecourse Liability, determined in accordance with Regulations Section 1.704-2(i)(3).

"Partner Nonrecourse Debt" shall have the meaning set forth in Regulations Section 1.704-2(b)(4).

"Partner Nonrecourse Deductions" shall have the meaning set forth in Regulations Section 1.704-2(i)(2), and the amount of Partner Nonrecourse Deductions with respect to a Partner Nonrecourse Debt for a Partnership Year shall be determined in accordance with the rules of Regulations Section 1.704-2(i)(2).

"Partnership" means the limited partnership formed under the Act and pursuant to this Agreement, and any successor thereto.

"Partnership Interest" means an ownership interest in the Partnership of either a Limited Partner or the General Partner and includes any and all benefits to which the holder of such a Partnership Interest may be entitled as provided in this Agreement, together with all obligations of such Person to comply with the terms and provisions of this Agreement. There may be one or more classes of Partnership Interests as provided in Section 4.3. A Partnership Interest may be expressed as a number of Partnership Units. Unless otherwise expressly provided for by the General Partner at the time of the original issuance of any Partnership Interests, all Partnership Interests (whether of a Limited Partner or a General Partner) shall be of the same class. The Partnership Interests represented by the Common Units, the Series D Preferred Units, the Series E Preferred Units, the Series F Preferred Units, the Series H Preferred Units and the Series I Preferred Units are the only Partnership Interests and each such type of unit is a separate class of Partnership Interest for all purposes of this Agreement.

"Partnership Minimum Gain" shall have the meaning set forth in Regulations Section 1.704-2(b)(2), and the amount of Partnership Minimum Gain, as well as any net increase or decrease in Partnership Minimum Gain, for a Partnership Year shall be determined in accordance with the rules of Regulations Section 1.704-2(d).

"Partnership Record Date" means the record date established by the General Partner for the distribution of Available Cash with respect to Common Units pursuant to Section 5.1 which record date shall be the same as the record date established by AMB for a distribution to its stockholders of some or all of its portion of such distribution.

"Partnership Unit" means, with respect to any class of Partnership Interest, a fractional, undivided share of such class of Partnership Interest issued pursuant to Sections 4.1 and 4.3. The ownership of Partnership Units may be evidenced by a certificate for units substantially in the form of Exhibit D-1 hereto or as the General Partner may determine with respect to any class of Partnership Units issued from time to time under Sections 4.1 and 4.3.

"Partnership Year" means the fiscal year of the Partnership, which shall be the calendar year.

"Percentage Interest" means, as to a Partner holding a class of Partnership Interests, its interest in the Partnership as determined by dividing the Partnership Units of such class owned by such Partner by the total number of Partnership Units of such class then outstanding as specified in Exhibit A attached hereto, as such Exhibit may be amended from time to time. If the Partnership issues more than one class of Partnership Interest, the interest in the Partnership among the classes of Partnership Interests shall be determined as set forth in the amendment to the Partnership Agreement setting forth the rights and privileges of such additional classes of Partnership Interest, if any, as contemplated by Section 4.3.B.

"Person" means an individual or a corporation, partnership, limited liability company, trust, unincorporated organization, association or other entity.

"Plan Asset Regulation" means the regulations promulgated by the United States Department of Labor in Title 29, Code of Federal Regulations, Part 2510, Section 101-3, and any successor regulations thereto.

"Pledge" shall have the meaning set forth in Section 11.3.A.

"Preferred Distribution Shortfall" shall have the meaning given to such term in Section 5.1 hereof.

"Preferred Limited Partner" means any Person holding a Preferred Unit, and named as a Preferred Limited Partner in Exhibit A attached hereto, as such Exhibit may be amended from time to time, or any Substitute Limited Partner or Additional Limited Partner, in such Person's capacity as a Preferred Limited Partner in the Partnership.

"Preferred Share" means a share of AMB preferred stock, par value $.01 per share, with such rights, priorities and preferences as shall be designated by the Board of Directors in accordance with the REIT Charter.

"Preferred Unit" means a Partnership Unit representing a Limited Partnership Interest, with such preferential rights and priorities as shall be designated by the General Partner pursuant to Section 4.3.C hereof including, without limitation, the Series D Preferred Units, the Series E Preferred Units, the Series F Preferred Units, the Series H Preferred Units and the Series I Preferred Units.

"Priority Return" means with respect to (i) the Series D Preferred Units, the Series D Priority Return, (ii) the Series E Preferred Units, the Series E Priority Return, (iii) the Series F Preferred Units, the Series F Priority Return, (iv) the Series H Preferred Units, the Series H Priority Return and (v) the Series I Preferred Units, the Series I Priority Return.

"Properties" means such interests in real property and personal property including without limitation, fee interests, interests in ground leases, interests in joint ventures, interests in mortgages, and Debt instruments as the Partnership may hold from time to time.

"PTP" shall have the meaning set forth in Section 17.8.

"Qualified REIT Subsidiary" means any Subsidiary of AMB that is a "qualified REIT subsidiary" within the meaning of Section 856(i) of the Code.

"Qualified Transferee" means an "Accredited Investor" as defined in Rule 501 promulgated under the Securities Act.

"Regulations" means the Income Tax Regulations promulgated under the Code, as such regulations may be amended from time to time (including corresponding provisions of succeeding regulations).

"Regulatory Allocations" shall have the meaning set forth in Section 6.3.A(viii).

"REIT" means a real estate investment trust under Sections 856 through 860 of the Code.

"REIT Charter" means the Articles of Incorporation of AMB as of November 24, 1997, as amended by the Articles Supplementary filed with the Maryland Department of Assessments and Taxation on July 23, 1998 designating the 8 1/2% Series A Cumulative Redeemable Preferred Stock, the Articles Supplementary filed with the Maryland Department of Assessments and Taxation on November 12, 1998 designating the 8M% Series B Cumulative Redeemable Preferred Stock, the Articles Supplementary filed with the Maryland Department of Assessments and Taxation on November 24, 1998 designating the 8 3/4% Series C Cumulative Redeemable Preferred Stock, the Articles Supplementary filed with the Maryland Department of Assessments and Taxation on May 5, 1999 designating the 7.75% Series D Cumulative Redeemable Preferred Stock, the Articles Supplementary filed with the Maryland Department of Assessments and Taxation on August 31, 1999 designating the 7.75% Series E Cumulative Redeemable Preferred Stock, the Articles Supplementary filed with the Maryland Department of Assessments and Taxation on March 23, 2000 designating the 7.95% Series F Cumulative Redeemable Preferred Stock, the Articles Supplementary filed with the Maryland Department of Assessments and Taxation on August 30, 2000 designating the 7.95% Series G Cumulative Redeemable Preferred Stock, the Articles Supplementary filed with the Maryland Department of Assessments and Taxation on September 1, 2000 designating the 8.125% Series H Cumulative Redeemable Preferred Stock, the Articles Supplementary filed with the Maryland Department of Assessments and Taxation on March 21, 2001 designating the 8.00% Series I Cumulative Redeemable Preferred Stock, the Articles Supplementary filed with the Maryland Department of Assessments and Taxation on December 6, 2001 redesignating and reclassifying the 8 3/4% Series C Cumulative Redeemable Preferred Stock, the Articles Supplementary to be filed with the Maryland Department of Assessments and Taxation on August 7, 2002 redesignating and reclassifying the 130,000 shares of

7.95% Series F Cumulative Redeemable Preferred Stock and the Articles Supplementary to be filed with the Maryland Department of Assessments and Taxation on August 7, 2002 redesignating and reclassifying the 7.95% Series G Cumulative Redeemable Preferred Stock, and as further amended or restated from time to time.

"REIT Requirements" shall have the meaning set forth in Section 5.1.

"REIT Share" means a share of common stock, par value $.01 per share, of AMB.

"Securities Act" means the Securities Act of 1933, as amended, and the rules and regulations of the Securities and Exchange Commission promulgated thereunder.

"Series B Preferred Units" means the 8 5/8% Series B Cumulative Redeemable Partnership Units of the Operating Partnership.

"Series C Limited Partner" means any Person holding Series C Preferred Units, which were repurchased and redeemed by the Partnership on December 5, 2001.

"Series C Preferred Units" means the Partnership's 8 3/4% Series C Cumulative Redeemable Partnership Units, which were repurchased and redeemed by the Partnership on December 5, 2001.

"Series D Articles Supplementary" means the Articles Supplementary of AMB in connection with its Series D Preferred Shares, as filed with the Maryland Department of Assessments and Taxation on May 5, 1999.

"Series D Limited Partner" means any Person holding Series D Preferred Units and named as a Series D Limited Partner in Exhibit A attached hereto, as such Exhibit may be amended from time to time, or any Substitute Limited Partner, in such Person's capacity as a Limited Partner in the Partnership.

"Series D Preferred Capital" means a Capital Account balance equal to the product of (i) the number of Series D Preferred Units then held by the Series D Limited Partner (including the General Partner and the Operating Partnership to the extent either of them holds Series C Preferred Units) multiplied by (ii) the sum of $50 and any Preferred Distribution Shortfall per Series D Preferred Unit.

"Series D Preferred Share" means a share of 7.75% Series D Cumulative Redeemable Preferred Stock, par value $.01 per share, liquidation preference $50 per share, of AMB.

"Series D Preferred Units" means the Partnership's 7.75% Series D Cumulative Redeemable Membership Units.

"Series D Preferred Unit Distribution Payment Date" shall have the meaning set forth in Section 17.3.A hereof.

"Series D Priority Return" shall mean an amount equal to 7.75% per annum on an amount equal to $50 per Series D Preferred Unit then outstanding (equivalent to $3.875 per annum). Such amount shall be determined on a daily basis computed on the basis of a 360-day year of twelve 30-day months (or actual days for any month which is shorter than a full monthly period), cumulative from May 5, 1999 to the extent not distributed for any given distribution period pursuant to Sections 5.1 and 17.3 hereof. Notwithstanding the foregoing, distributions on the Series D Preferred Units will accrue whether or not the terms and provisions of any agreement of the Partnership at any time prohibit the current payment of distributions, whether or not the Partnership has earnings, whether or not there are funds legally available for the payment of such distributions and whether or not such distributions are authorized. Accrued but unpaid distributions on the Series D Preferred Units will accumulate as of the Series D Preferred Unit Distribution Payment Date on which they first become payable.

"Series D Redemption" shall have the meaning set forth in Section 17.5.A.

"Series E Articles Supplementary" means the Articles Supplementary of AMB in connection with its Series E Preferred Shares, as filed with the Maryland Department of Assessments and Taxation on August 31, 1999.

"Series E Limited Partner" means any Person holding Series E Preferred Units and named as a Series E Limited Partner in Exhibit A attached hereto, as such Exhibit may be amended from time to time, or any Substitute Limited Partner, in such Person's capacity as a Limited Partner in the Partnership.

"Series E Preferred Capital" means a Capital Account balance equal to the product of (i) the number of Series E Preferred Units then held by the Holder (including the General Partner and the Operating Partnership to the extent either of them holds Series E Preferred Units) multiplied by (ii) the sum of $50 and any Preferred Distribution Shortfall per Series E Preferred Unit.

"Series E Preferred Share" means a share of 7.75% Series E Cumulative Redeemable Preferred Stock, par value $.01 per share, liquidation preference $50.00 per share, of AMB.

"Series E Preferred Units" means the Partnership's 7.75% Series E Cumulative Redeemable Partnership Units.

"Series E Preferred Unit Distribution Payment Date" shall have the meaning set forth in Section 18.3.A hereof.

"Series E Priority Return" shall mean an amount equal to 7.75% per annum on an amount equal to $50.00 per Series E Preferred Unit then outstanding (equivalent to $3.875 per annum). Such amount shall be determined on a daily basis computed on the basis of a 360-day year of twelve 30-day months (or actual days for any month which is shorter than a full monthly period), cumulative from August 31, 1999 to the extent not distributed for any given distribution period pursuant to Sections 5.1 and 18.3 hereof. Notwithstanding the foregoing, distributions on the Series E Preferred Units will accrue whether or not the terms and provisions of any agreement of the Partnership at any time prohibit the current payment of distributions, whether or not the Partnership has earnings, whether or not there are funds legally available for the payment of such distributions and whether or not such distributions are authorized. Accrued but unpaid distributions on the Series E Preferred Units will accumulate as of the Series E Preferred Unit Distribution Payment Date on which they first become payable.

"Series E Redemption" shall have the meaning set forth in Section 18.5.A.

"Series F Articles Supplementary" means the Articles Supplementary of AMB in connection with its Series F Preferred Shares, as filed with the Maryland Department of Assessments and Taxation on March 23, 2000 and the Articles Supplementary to be filed with the Maryland Department of Assessments and Taxation on August 7, 2002 redesignating and reclassifying the 130,000 shares of 7.95% Series F Cumulative Redeemable Preferred Stock.

"Series F Limited Partner" means any Person holding Series F Preferred Units and named as a Series F Limited Partner in Exhibit A attached hereto, as such Exhibit may be amended from time to time, or any Substitute Limited Partner, in such Person's capacity as a Limited Partner in the Partnership.

"Series F Preferred Capital" means a Capital Account balance equal to the product of (i) the number of Series F Preferred Units then held by the Holder (including the General Partner and the Operating Partnership to the extent either of them holds Series F Preferred Units) multiplied by (ii) the sum of $50 and any Preferred Distribution Shortfall per Series F Preferred Unit.

"Series F Preferred Share" means a share of 7.95% Series F Cumulative Redeemable Preferred Stock, par value $.01 per share, liquidation preference $50.00 per share, of AMB.

"Series F Preferred Units" means the Partnership's 7.95% Series F Cumulative Redeemable Partnership Units.

"Series F Preferred Unit Distribution Payment Date" shall have the meaning set forth in Section 19.3.A hereof.

"Series F Priority Return" shall mean an amount equal to 7.95% per annum on an amount equal to $50.00 per Series F Preferred Unit then outstanding (equivalent to $3.975 per annum). Such amount shall be determined on a daily basis computed on the basis of a 360-day year of twelve 30-day months (or actual days for any month which is shorter than a full monthly period), cumulative from March 22, 2000 to the extent not distributed for any given distribution period pursuant to Sections 5.1 and 19.3 hereof. Notwithstanding the foregoing, distributions on the Series F Preferred Units will accrue whether or not the terms and provisions of any agreement of the Partnership at any time prohibit the current payment of distributions, whether or not the Partnership has earnings, whether or not there are funds legally available for the payment of such distributions and whether or not such distributions are authorized. Accrued but unpaid distributions on the Series F Preferred Units will accumulate as of the Series F Preferred Unit Distribution Payment Date on which they first become payable.

"Series F Redemption" shall have the meaning set forth in Section 19.5.A.

"Series G Limited Partner" means any Person holding Series G Preferred Units which were repurchased and redeemed by the Partnership on July 31, 2002.

"Series G Preferred Units" means the Partnership's 7.95% Series G Cumulative Redeemable Partnership Units which were repurchased and redeemed by the Partnership on July 31, 2002.

"Series H Articles Supplementary" means the Articles Supplementary of AMB in connection with its Series H Preferred Shares, as filed with the Maryland Department of Assessments and Taxation on September 1, 2000.

"Series H Limited Partner" means any Person holding Series H Preferred Units and named as a Series H Limited Partner in Exhibit A attached hereto, as such Exhibit may be amended from time to time, or any Substitute Limited Partner, in such Person's capacity as a Limited Partner in the Partnership.

"Series H Preferred Capital" means a Capital Account balance equal to the product of (i) the number of Series H Preferred Units then held by the Holder (including the General Partner and the Operating Partnership to the extent either of them holds Series H Preferred Units) multiplied by (ii) the sum of $50 and any Preferred Distribution Shortfall per Series H Preferred Unit.

"Series H Preferred Share" means a share of 8.125% Series H Cumulative Redeemable Preferred Stock, par value $.01 per share, liquidation preference $50.00 per share, of AMB.

"Series H Preferred Units" means the Partnership's 8.125% Series H Cumulative Redeemable Partnership Units.

"Series H Preferred Unit Distribution Payment Date" shall have the meaning set forth in Section 21.3.A hereof.

"Series H Priority Return" shall mean an amount equal to 8.125% per annum on an amount equal to $50.00 per Series H Preferred Unit then outstanding (equivalent to $4.0625 per annum). Such amount shall be determined on a daily basis computed on the basis of a 360-day year of twelve 30-day months (or actual days for any month which is shorter than a full monthly period), cumulative from September 1, 2000 to the extent not distributed for any given distribution period pursuant to Sections 5.1 and 21.3 hereof. Notwithstanding the foregoing, distributions on the Series H Preferred Units will accrue whether or not the terms and provisions of any agreement of the Partnership at any time prohibit the current payment of distributions, whether or not the Partnership has earnings, whether or not there are funds legally available for the payment of such distributions and whether or not such distributions are authorized. Accrued but unpaid distributions on the Series H Preferred Units will accumulate as of the Series H Preferred Unit Distribution Payment Date on which they first become payable.

"Series H Redemption" shall have the meaning set forth in Section 21.5.A.

"Series I Articles Supplementary" means the Articles Supplementary of AMB in connection with its Series I Preferred Shares, as filed with the Maryland Department of Assessments and Taxation on March 21, 2001.

"Series I Limited Partner" means any Person holding Series I Preferred Units and named as a Series I Limited Partner in Exhibit A attached hereto, as such Exhibit may be amended from time to time, or any Substitute Limited Partner, in such Person's capacity as a Limited Partner in the Partnership.

"Series I Preferred Capital" means a Capital Account balance equal to the product of (i) the number of Series I Preferred Units then held by the Holder (including the General Partner and the Operating Partnership to the extent either of them holds Series I Preferred Units) multiplied by (ii) the sum of $50 and any Preferred Distribution Shortfall per Series I Preferred Unit.

"Series I Preferred Share" means a share of 8.00% Series I Cumulative Redeemable Preferred Stock, par value $.01 per share, liquidation preference $50.00 per share, of AMB.

"Series I Preferred Units" means the Partnership's 8.00% Series I Cumulative Redeemable Partnership Units.

"Series I Preferred Unit Distribution Payment Date" shall have the meaning set forth in Section 22.3.A hereof.

"Series I Priority Return" shall mean an amount equal to 8.00% per annum on an amount equal to $50.00 per Series I Preferred Unit then outstanding (equivalent to $4.00 per annum). Such amount shall be determined on a daily basis computed on the basis of a 360-day year of twelve 30-day months (or actual days for any month which is shorter than a full monthly period), cumulative from March 21, 2001 to the extent not distributed for any given distribution period pursuant to Sections 5.1 and 22.3 hereof. Notwithstanding the foregoing, distributions on the Series I Preferred Units will accrue whether or not the terms and provisions of any agreement of the Partnership at any time prohibit the current payment of distributions, whether or not the Partnership has earnings, whether or not there are funds legally available for the payment of such distributions and whether or not such distributions are authorized. Accrued but unpaid distributions on the Series I Preferred Units will accumulate as of the Series I Preferred Unit Distribution Payment Date on which they first become payable.

"Series I Redemption" shall have the meaning set forth in Section 22.5.A.

"Specified Redemption Date" means the day of receipt by the General Partner of a Notice of Redemption.

"Subsidiary" shall mean, with respect to any person, any corporation, partnership, limited liability company, joint venture or other entity of which a majority of (i) the voting power of the voting equity securities or (ii) the outstanding equity interests, is owned, directly or indirectly, by such person.

"Subsidiary Partnership" means any partnership or limited liability company that is a Subsidiary of the Partnership or the Operating Partnership.

"Substituted Limited Partner" means a Person who is admitted as a Limited Partner to the Partnership pursuant to Section 11.4.

"Tax Items" shall have the meaning set forth in Section 6.4.A.

"Tenant" means any tenant from which AMB derives rent either directly or indirectly through partnerships, including the Partnership.

ARTICLE 2.
ORGANIZATIONAL MATTERS

Section 2.1. Organization

The Partnership is a limited partnership formed pursuant to the provisions of the Act and upon the terms and conditions set forth in this Agreement. Except as expressly provided herein, the rights and obligations of the Partners and the administration and termination of the Partnership shall be governed by the Act. The Partnership Interest of each Partner shall be personal property for all purposes.

Section 2.2. Name

The name of the Partnership is AMB Property II, L.P. The Partnership's business may be conducted under any other name or names deemed advisable by the General Partner,

including the name of the General Partner or any Affiliate thereof. The words "Limited Partnership," "L.P.," "Ltd." or similar words or letters shall be included in the Partnership's name where necessary for the purposes of complying with the laws of any jurisdiction that so requires. The General Partner in its sole and absolute discretion may change the name of the Partnership at any time and from time to time and shall notify the Limited Partners of such change in the next regular communication to the Limited Partners.

Section 2.3. Resident Agent; Principal Office

The name and address of the resident agent of the Partnership in the State of Delaware is The Corporation Trust Company, 1209 Orange Street, Wilmington, Delaware 19801. The address of the principal office of the Partnership in the State of Delaware is The Corporation Trust Company, 1209 Orange Street, Wilmington, Delaware 19801 at such address. The principal office of the Partnership is located at Pier 1, Bay 1, San Francisco, California 94111, or such other place as the General Partner may from time to time designate by notice to the Limited Partners. The Partnership may maintain offices at such other place or places within or outside the State of Delaware as the General Partner deems advisable.

Section 2.4. Power of Attorney

A. Each Limited Partner and each Assignee constitutes and appoints the General Partner, any Liquidator, and authorized officers and attorneys-in-fact of each, and each of those acting singly, in each case with full power of substitution, as its true and lawful agent and attorney-in-fact, with full power and authority in its name, place and stead to:

(i) execute, swear to, acknowledge, deliver, file and record in the appropriate public offices: (a) all certificates, documents and other instruments (including, without limitation, this Agreement and the Certificate and all amendments or restatements thereof) that the General Partner or the Liquidator deems appropriate or necessary to form, qualify or continue the existence or qualification of the Partnership as a limited partnership (or a partnership in which the Limited Partners have limited liability) in the State of Delaware and in all other jurisdictions in which the Partnership may conduct business or own property; (b) all instruments that the General Partner or any Liquidator deems appropriate or necessary to reflect any amendment, change, modification or restatement of this Agreement in accordance with its terms; (c) all conveyances and other instruments or documents that the General Partner or any Liquidator deems appropriate or necessary to reflect the dissolution and liquidation of the Partnership pursuant to the terms of this Agreement, including, without limitation, a certificate of cancellation; (d) all instruments relating to the admission, withdrawal, removal or substitution of any Partner pursuant to, or other events described in, Articles 11, 12 and 13 or the Capital Contribution of any Partner; and (e) all certificates, documents and other instruments relating to the determination of the rights, preferences and privileges of Partnership Interests; and

(ii) execute, swear to, acknowledge and file all ballots, consents, approvals, waivers, certificates and other instruments appropriate or necessary, in the sole and absolute discretion of the General Partner or any Liquidator, to make, evidence, give, confirm or ratify any vote, consent, approval, agreement or other action which is made or given by the Partners hereunder or is consistent with the terms of this Agreement or appropriate or necessary, in the sole discretion of the General Partner or any Liquidator, to effectuate the terms or intent of this Agreement.

Nothing contained herein shall be construed as authorizing the General Partner or any Liquidator to amend this Agreement except in accordance with Article 14 or as may be otherwise expressly provided for in this Agreement.

B. The foregoing power of attorney is hereby declared to be irrevocable and a power coupled with an interest, in recognition of the fact that each of the Partners will be relying upon the power of the General Partner and any Liquidator to act as contemplated by this Agreement in any filing or other action by it on behalf of the Partnership, and it shall survive and not be affected by the subsequent Incapacity of any Limited Partner or Assignee and the transfer of all or any portion of such Limited Partner's or Assignee's Partnership Units and shall extend to such Limited Partner's or Assignee's heirs, successors, assigns and personal representatives. Each such Limited Partner or Assignee hereby agrees to be bound by any representation made by the General Partner or any Liquidator, acting in good faith pursuant to such power of attorney; and each such Limited Partner or Assignee hereby waives any and all defenses which may be available to contest, negate or disaffirm the action of the General Partner or any Liquidator, taken in good faith under such power of attorney. Each Limited Partner or Assignee shall execute and deliver to the General Partner or any Liquidator, within fifteen (15) days after receipt of the General Partner's or Liquidator's request therefor, such further designation, powers of attorney and other instruments as the General Partner or the Liquidator, as the case may be, deems necessary to effectuate this Agreement and the purposes of the Partnership.

Section 2.5. Term

The term of the Partnership commenced on October 15, 1997 and shall continue until October 15, 2096 unless it is dissolved sooner pursuant to the provisions of Article 13 or as otherwise provided by law.

Section 2.6. Number of Partners

Without the consent of the General Partner which may be given or withheld in its sole discretion, the Partnership shall not at any time have more than one hundred (100) partners (including as partners those persons indirectly

owning an interest in the Partnership through a partnership, limited liability company, S corporation or grantor trust (such entity, a "flow through entity"), but only if substantially all of the value of such person's interest in the flow through entity is attributable to the flow through entity's interest (direct or indirect) in the Partnership).

ARTICLE 3.
PURPOSE

Section 3.1. Purpose and Business

The purpose and nature of the business to be conducted by the Partnership is (i) to conduct any business that may be lawfully conducted by a limited partnership organized pursuant to the Act; provided, however, that such business shall be limited to and conducted in such a manner as to permit AMB, in its capacity as the owner of 100% of the Common Stock of the General Partner and as the sole General Partner of the Operating Partnership, at all times to be classified as a REIT for Federal income tax purposes, unless AMB ceases to qualify as a REIT for reasons other than the conduct of the business of the Partnership, (ii) to enter into any partnership, joint venture or other similar arrangement to engage in any of the foregoing or to own interests in any entity engaged, directly or indirectly, in any of the foregoing and (iii) to do anything necessary or incidental to the foregoing. In connection with the foregoing, and without limiting AMB's right in its sole discretion to cease qualifying as a REIT, the Partners acknowledge that AMB's current status as a REIT inures to the benefit of all the Partners and not solely the General Partner.

Section 3.2. Powers

The Partnership is empowered to do any and all acts and things necessary, appropriate, proper, advisable, incidental to or convenient for the furtherance and accomplishment of the purposes and business described herein and for the protection and benefit of the Partnership, including, without limitation, full power and authority, directly or through its ownership interest in other entities, to enter into, perform and carry out contracts of any kind, borrow money and issue evidences of indebtedness, whether or not secured by mortgage, deed of trust, pledge or other lien, acquire and develop real property, and manage, lease, sell, transfer and dispose of real property; provided, however, not withstanding anything to the contrary in this Agreement, the Partnership shall not take, or refrain from taking, any action which, in the judgment of AMB, in its sole and absolute discretion, (i) could adversely affect the ability of AMB, in its capacity as the owner of 100% of the Common Stock of the General Partner and as the sole general partner of the Operating Partnership, to continue to qualify as a REIT, (ii) absent the consent of the General Partner, which may be given or withheld in its sole and absolute discretion, and except with respect to the distribution of Available Cash to the Series D Limited Partners, the Series E Limited Partners, the Series F Limited Partners, the Series H Limited Partners and the Series I Limited Partners in accordance with Sections 17.3, 18.3, 19.3, 21.3 and 22.3, respectively, could subject AMB to any taxes under Section 857 or Section 4981 of the Code, or (iii) could violate any law or regulation of any governmental body or agency having jurisdiction over AMB or its securities, unless any such action (or inaction) under the foregoing clauses (i), (ii) or (iii) shall have been specifically consented to by AMB in writing.

Section 3.3. Partnership Only for Purposes Specified

The Partnership shall be a partnership only for the purposes specified in Section 3.1, and this Agreement shall not be deemed to create a partnership among the Partners with respect to any activities whatsoever other than the activities within the purposes of the Partnership as specified in Section 3.1. Except as otherwise provided in this Agreement, no

Partner shall have any authority to act for, bind, commit or assume any obligation or responsibility on behalf of the Partnership, its properties or any other Partner. No Partner, in its capacity as a Partner under this Agreement, shall be responsible or liable for any indebtedness or obligation of another Partner, nor shall the Partnership be responsible or liable for any indebtedness or obligation of any Partner, incurred either before or after the execution and delivery of this Agreement by such Partner, except as to those responsibilities, liabilities, indebtedness or obligations incurred pursuant to and as limited by the terms of this Agreement and the Act.

Section 3.4. Representations and Warranties by the Parties

A. Each Partner that is an individual represents and warrants to each other Partner that (i) such Partner has in the case of any Person other than an individual, the power and authority, and in the case of an individual,

the legal capacity, to enter into this Agreement and perform such Partner's obligations hereunder, (ii) the consummation of the transactions contemplated by this Agreement to be performed by such Partner will not result in a breach or violation of, or a default under, any agreement by which such Partner or any of such Partner's property is or are bound, or any statute, regulation, order or other law to which such Partner is subject, (iii) such Partner is neither a "foreign person" within the meaning of Section 1445(f) of the Code nor a "foreign partner" within the meaning of Section 1446(e) of the Code and (iv) this Agreement has been duly executed and delivered by such Partner and is binding upon, and enforceable against, such Partner in accordance with its terms.

B. Each Partner that is not an individual represents and warrants to each other Partner that (i) its execution and delivery of this Agreement and all transactions contemplated by this Agreement to be performed by it have been duly authorized by all necessary action, including without limitation, that of its general partner(s), committee(s), trustee(s), beneficiaries, directors and/or stockholder(s), as the case may be, as required, (ii) the consummation of such transactions shall not result in a breach or violation of, or a default under, its certificate of limited partnership, partnership agreement, trust agreement, limited liability company operating agreement, charter or by-laws, as the case may be, any agreement by which such Partner or any of such Partner's properties or any of its partners, beneficiaries, trustees or stockholders, as the case may be, is or are bound, or any statute, regulation, order or other law to which such Partner or any of its partners, trustees, beneficiaries or stockholders, as the case may be, is or are subject, (iii) such Partner is neither a "foreign person" within the meaning of Section 1445(f) of the Code nor a "foreign partner" within the meaning of Section 1446(e) of the Code and (iv) this Agreement has been duly executed and delivered by such Partner and is binding upon, and enforceable against, such Partner in accordance with its terms.

C. Each Partner represents, warrants and agrees that it has acquired and continues to hold its interest in the Partnership for its own account for investment only and not for the purpose of, or with a view toward, the resale or distribution of all or any part thereof, nor with a view toward selling or otherwise distributing such interest or any part thereof at any particular time or under any predetermined circumstances. Each Partner further represents and warrants that it is a sophisticated investor, able and accustomed to handling sophisticated financial matters for itself, particularly real estate investments, and that it has a sufficiently high net worth that it does not anticipate a need for the funds it has invested in the Partnership in what it understands to be a highly speculative and illiquid investment.

D. Each Partner further represents, warrants and agrees as follows:

(i) Except as provided in Exhibit E, at any time such Partner actually or Constructively owns a 25% or greater capital interest or profits interest in the Partnership, it does not and will not, without the prior written consent of the General Partner, actually own or Constructively Own (a) with respect to any Tenant that is a corporation, any stock of such Tenant and (b) with respect to any Tenant that is not a corporation, any interests in either the assets or net profits of such Tenant.

(ii) Except as provided in Exhibit F, at any time such Partner actually or Constructively owns a 25% or greater capital interest or profits interest in the Partnership, it does not, and agrees that it will not without the prior written consent of the General Partner, actually own or Constructively Own, any stock in AMB, other than any shares of capital stock of AMB that such Partner may acquire pursuant to Sections 17.8, 18.8, 19.8, 21.8 or 22.8, subject to the ownership limitations set forth in the REIT Charter.

(iii) Upon request of the General Partner, it will disclose to the General Partner the amount of shares of capital stock of AMB that it actually owns or Constructively Owns.

(iv) It understands that if, for any reason, (a) the representations, warranties or agreements set forth in Section 3.4.D(i) or (ii) are violated or (b) the Partnership's actual or Constructive Ownership of the REIT Shares or other shares of capital stock of AMB violates the limitations set forth in the REIT Charter, then (x) some or all of the Series D Redemption rights or rights to exchange Partnership Interests for Series D Preferred Shares, some or all of the Series E Redemption rights or rights to exchange Partnership Interests for Series E Preferred Shares, some or all of the Series F Redemption rights or rights to exchange Partnership Interests for Series F Preferred Shares, some or all of the Series H Redemption rights or rights to exchange Partnership Interests for Series H Preferred Shares or some or all of the Series I Redemption rights or rights to exchange Partnership Interests for Series I Preferred Shares of the Limited Partners may become non-exercisable, and (y) some or all of such shares owned by the Partners and/or some or all of

the Partnership Interests owned by the Limited Partners may be automatically transferred to a trust for the benefit of a charitable beneficiary, as provided in the REIT Charter and Exhibit I of this Agreement, respectively.

E. The representations and warranties contained in Sections 3.4.A, 3.4.B, 3.4.C and 3.4.D shall survive the execution and delivery of this Agreement by each Partner and the dissolution and winding up of the Partnership.

F. Each Partner hereby acknowledges that no representations as to potential profit, cash flows, funds from operations or yield, if any, in respect of the Partnership or the General Partner have been made by any Partner or any employee or representative or Affiliate of any Partner, and that projections and any other information, including, without limitation, financial and descriptive information and documentation, which may have been in any manner submitted to such Partner shall not constitute any representation or warranty of any kind or nature, express or implied.

Section 3.5. Certain ERISA Matters

Each Partner acknowledges that the Partnership is intended to qualify as a "real estate operating company" (as such term is defined in the Plan Asset Regulation). The General Partner will use its reasonable best efforts to structure the investments in, relationships with and conduct with respect to Properties and any other assets of the Partnership so that the Partnership will be a "real estate operating company" (as such term is defined in the Plan Asset Regulation).

ARTICLE 4.
CAPITAL CONTRIBUTIONS

Section 4.1. Capital Contributions of the Partners

At the time of their respective execution of this Agreement, the Partners shall make or shall have made Capital Contributions as set forth in Exhibit A to this Agreement. The Partners shall own Partnership Units of the class and in the amounts set forth in Exhibit A and shall have a Percentage Interest in the Partnership as set forth in Exhibit A, which Percentage Interest shall be adjusted in Exhibit A from time to time by the General Partner to the extent necessary to accurately reflect exchanges, redemptions, Capital Contributions, the issuance of additional Partnership Units or similar events having an effect on a Partner's Percentage Interest. Except as required by law or as otherwise provided in Sections 4.3 and 10.5, no Partner shall be required or permitted to make any additional Capital Contributions or loans to the Partnership.

Section 4.2. Loans

Subject to Section 4.3, the Partnership may incur Debt, or enter into other similar credit, guarantee, financing or refinancing arrangements for any purpose (including, without limitation, in connection with any further acquisition of Properties) with any Person, including the General Partner, the Operating Partnership and their affiliates, upon such terms as the General Partner determines appropriate; provided, that the Partnership shall not incur any Debt that is recourse to the General Partner, except to the extent otherwise agreed to by the General Partner in its sole discretion.

Section 4.3. Additional Funding and Capital Contributions

A. General. The General Partner may, at any time and from time to time, determine that the Partnership requires additional funds ("Additional Funds") for the acquisition of additional Properties or for such other Partnership purposes as the General Partner may determine. Additional Funds may be raised by the Partnership, at the election of the General Partner, in any manner provided in, and in accordance with, the terms of this Section 4.3. No Person shall have any preemptive, preferential or similar right or rights to subscribe for or acquire any Partnership Interest.

B. Issuance of Additional Partnership Interests. The General Partner may raise all or any portion of the Additional Funds by accepting additional Capital Contributions of cash. The General Partner may also accept additional Capital Contributions of real property or other non-cash assets. In connection with any such additional Capital Contributions (of cash or property), and subject to Sections 17.6, 18.6, 19.6, 21.6 and 22.6 hereof, the General Partner is hereby authorized to cause the Partnership from time to time to issue to Partners (including the

General Partner) or other Persons (including, without limitation, in connection with the contribution of property to the Partnership) additional Partnership

Units or other Partnership Interests in one or more classes, or one or more series of any of such classes, with such designations, preferences and relative, participating, optional or other special rights, powers, and duties, including rights, powers, and duties senior to then existing Limited Partnership Interests, all as shall be determined by the General Partner in its sole and absolute discretion subject to Delaware law, and as set forth by amendment to this Agreement, including without limitation: (i) the allocations of items of Partnership income, gain, loss, deduction, and credit to such class or series of Partnership Interests; (ii) the right of each such class or series of Partnership Interests to share in Partnership distributions; (iii) the rights of each such class or series of Partnership Interests upon dissolution and liquidation of the Partnership; and (iv) the right to vote. In the event that the Partnership issues additional Partnership Interests pursuant to this Section 4.3.B, the General Partner shall make such revisions to this Agreement (including but not limited to the revisions described in Sections 5.4 and 6.2.C) as it determines are necessary to reflect the issuance of such additional Partnership Interests.

C. Percentage Interest Adjustments in the Case of Capital Contributions for Partnership Units. Upon the acceptance of additional Capital Contributions in exchange for Partnership Units, the Percentage Interest related thereto, and the Percentage Interest of each other Partner, shall be equal to the amounts agreed to by the Partnership and the contributors.

D. AMB agrees to comply with Section 4.3.D of the Third Amended and Restated Agreement of Limited Partnership of the Operating Partnership, as amended or waived from time to time.

Section 4.4. No Preemptive Rights

Except to the extent expressly granted by the Partnership pursuant to another agreement, no Person shall have any preemptive, preferential or other similar right with respect to (i) making additional Capital Contributions or loans to the Partnership or (ii) issuance or sale of any Partnership Units or other Partnership Interests.

Section 4.5. Other Contribution Provisions

In the event that any Partner is admitted to the Partnership and is given (or is treated as having received) a Capital Account in exchange for services rendered to the Partnership, such transaction shall be treated by the Partnership and the affected Partner as if the Partnership had compensated such Partner in cash, and the Partner had contributed such cash to the capital of the Partnership. In addition, with the consent of the General Partner, in its sole discretion, one or more Limited Partners may enter into contribution agreements with the Partnership which have the effect of providing a guarantee of certain obligations of the Partnership.

ARTICLE 5.
DISTRIBUTIONS

Section 5.1. Requirement and Characterization of Distributions

The General Partner shall cause the Partnership to distribute all, or such portion as the General Partner may in its discretion determine, Available Cash generated by the Partnership (i) first, to the extent that the amount of cash distributed with respect to any Partnership Interests that are entitled to any preference in distribution for any prior distribution period was less than the required distribution for such outstanding Partnership Interests for such prior distribution period, and to the extent such deficiency has not been subsequently distributed pursuant to this Section 5.1 (a "Preferred Distribution Shortfall"), in accordance with the rights of such class of Partnership Interests (and within such class, pro rata in proportion to the respective Percentage Interests on the applicable record date) and to the Partners who are Partners on the applicable record date with respect to such distribution, (ii) second, with respect to any Partnership Interests that are entitled to any preference in distribution, in accordance with the rights of such class of Partnership Interests (and within such class, pro rata in proportion to the respective Percentage Interests on the applicable record date) and (iii) third, with respect to Partnership Interests that are not entitled to any preference in distribution, pro rata to each such class on a quarterly basis and in accordance with the terms of such class to Partners who are Partners of such class on the Partnership Record Date with respect to such distribution (and within each such class, pro rata in proportion with the respective Percentage Interests on such Partnership Record Date). Except as expressly provided for in Article 17 with respect to the Series D Preferred Units, in Article 18 with respect to the Series E Preferred Units, in Article 19 with respect to the Series F Preferred Units, in Article 21 with respect to the Series H Preferred Units, in Article 22 with respect to the Series I Preferred Units and in an agreement, if any, entered into in connection with the creation of a new class of Partnership Interests in accordance with Article 4, no Partnership Interest shall be entitled to a distribution in preference to any other Partnership

Interest. The General Partner shall take such reasonable efforts, as determined by it in its sole and absolute discretion and consistent with AMB's qualification as a REIT, to cause the Partnership to distribute sufficient amounts to enable AMB, in its capacity of general partner of the Operating Partnership, and the sole stockholder of the General Partner, to pay stockholder dividends that will, so long as AMB has determined to qualify as a REIT (a) satisfy the requirements for qualifying as a REIT under the Code and Regulations ("REIT Requirements") and (b) except to the extent otherwise determined by the General Partner, avoid any Federal income or excise tax liability of the AMB, except to the extent that a distribution pursuant to clause (b) would prevent the Partnership from making a distribution to the holders of Series D Preferred Units, Series E Preferred Units, Series F Preferred Units, or Series H Preferred Units in accordance with Sections 17.3, 18.3, 19.3, 21.3 and 22.3, respectively.

Section 5.2. Distributions in Kind

No right is given to any Partner to demand and receive property other than cash. The General Partner may determine, in its sole and absolute discretion, to make a distribution in kind to the Partners of Partnership assets, and such assets shall be distributed in such a fashion as to ensure that the fair market value is distributed and allocated in accordance with Articles 5, 6 and 10; provided, however, that, in such case, the General Partners shall distribute only cash to

the Series D Limited Partners, the Series E Limited Partners, the Series F Limited Partners, the Series H Limited Partners and Series I Limited Partners.

Section 5.3. Distributions Upon Liquidation

Proceeds from a Liquidating Event shall be distributed to the Partners in accordance with Section 13.2.

Section 5.4. Distributions to Reflect Issuance of Additional Partnership Interests

In the event that the Partnership issues additional Partnership Interests to the General Partner or any Additional Limited Partner pursuant to Section 4.3.B or 4.4, the General Partner shall make such revisions to this Article 5 as it determines are necessary to reflect the issuance of such additional Partnership Interests. In the absence of any agreement to the contrary, an Additional Limited Partner shall be entitled to the distributions set forth in Section 5.1 (without regard to this Section 5.4) with respect to the quarter during which the closing of its contribution to the Partnership occurs, multiplied by a fraction the numerator of which is the number of days from and after the date of such closing through the end of the applicable quarter, and the denominator of which is the total number of days in such quarter.

ARTICLE 6.
ALLOCATIONS

Section 6.1. Timing and Amount of Allocations of Net Income and Net Loss

Net Income and Net Loss of the Partnership shall be determined and allocated with respect to each fiscal year of the Partnership as of the end of each such year. Subject to the other provisions of this Article 6, an allocation to a Holder of a share of Net Income or Net Loss shall be treated as an allocation of the same share of each item of income, gain, loss or deduction that is taken into account in computing Net Income or Net Loss.

Section 6.2. General Allocations

A. In General. Except as otherwise provided in this Article 6, Net Income and Net Loss allocable with respect to a class of Partnership Interests, shall be allocated to each of the Holders holding such class of Partnership Interests in accordance with their respective Percentage Interest of such class.

B. B.1. Net Income. Except as provided in Section 6.3, Net Income for any Partnership Year shall be allocated in the following manner and order of priority:

(a) First, 100% to the General Partner in an amount equal to the remainder, if any, of the cumulative Net Losses allocated to the General Partner pursuant to Section 6.2.B.2(d) for all prior Partnership Years minus the cumulative Net Income allocated to the General Partner pursuant to this Section 6.2.B.1(a) for all prior Partnership Years;

(b) Second, 100% to each Holder of Partnership Interests in an amount equal to the remainder, if any, of the cumulative Net Losses allocated to each

such Holder pursuant to Section 6.2.B.2(c) for all prior Partnership Years minus the cumulative Net Income allocated to such Holder pursuant to this Section 6.2.B.1(b) for all prior Partnership Years;

(c) Third, 100% to the Holders of Preferred Units in an amount equal to the remainder, if any, of the cumulative Net Losses allocated to such Holders pursuant to Section 6.2.B.2(b) for all prior Partnership Years minus the cumulative Net Income allocated to such Holders pursuant to this Section 6.2.B.1(c) for all prior Partnership Years;

(d) Fourth, 100% to the Holders of Common Units in an amount equal to the remainder, if any, of the cumulative Net Losses allocated to each such Holder pursuant to Section 6.2.B.2(a) for all prior Partnership Years minus the cumulative Net Income allocated to each Holder pursuant to this Section 6.2.B.1(d) for all prior Partnership Years;

(e) Fifth, 100% to the Holders of Preferred Units, with respect to each series of Preferred Units, in an amount equal to the excess of (i) the cumulative Priority Return to the last day of the current Partnership Year or to the date of redemption of such Preferred Units, to the extent such Preferred Units are redeemed during such year, over (ii) the cumulative Net Income allocated to the Holders of such Preferred Units, pursuant to this Section 6.2.B.1(e) for all prior Partnership Years; and

(f) Sixth, 100% to the Holders of Common Units in accordance with their respective Percentage Interests in the Common Units.

To the extent the allocations of Net Income set forth above in any paragraph of this Section 6.2.B.1 are not sufficient to entirely satisfy the allocation set forth in such paragraph, such allocation shall be made in proportion to the total amount that would have been allocated pursuant to such paragraph without regard to such shortfall.

B.2. Net Losses. Except as provided in Section 6.3, Net Losses for any Partnership Year shall be allocated in the following manner and order of priority:

(a) First, 100% to the Holders of Common Units in accordance with their respective Percentage Interests in the Common Units (to the extent consistent with this Section 6.2.B.2(a)) until the Adjusted Capital Account (ignoring for this purpose any amounts a Holder is obligated to contribute to the capital of the Partnership or is deemed obligated to contribute pursuant to Regulations Section 1.704-1(b)(2)(ii)(c)(2) and ignoring the Holder's Series D Preferred Capital, Series E Preferred Capital, Series F Preferred Capital, Series H Preferred Capital and Series I Preferred Capital) of each such Holder is zero;

(b) Second, 100% to the Holders of Preferred Units, pro rata to each such Holder's Adjusted Capital Account (ignoring for this purpose any amounts a Holder is obligated to contribute to the capital of the Partnership or is deemed obligated to contribute pursuant to Regulations Section 1.704-

1(b)(2)(ii)(c)(2)), until the Adjusted Capital Account (as so modified) of each such Holder is zero;

(c) Third, 100% to the Holders of Partnership Interests to the extent of, and in proportion to, the positive balance (if any) in their Adjusted Capital Accounts; and

(d) Fourth, 100% to the General Partner.

C. Allocations to Reflect Issuance of Additional Partnership Interests. In the event that the Partnership issues additional Partnership Interests to the General Partner or any Additional Limited Partner pursuant to Section 4.3 or 4.4, the General Partner shall make such revisions to this Section 6.2 or to Section 12.2.B as it determines are necessary to reflect the terms of the issuance of such additional Partnership Interests, including making preferential allocations to certain classes of Partnership Interests, subject to the terms of the Series D Preferred Units, the Series E Preferred Units, the Series F Preferred Units, the Series H Preferred Units and the Series I Preferred Units.

Section 6.3. Additional Allocation Provisions

Notwithstanding the foregoing provisions of this Article 6:

A. Regulatory Allocations.

(i) Minimum Gain Chargeback. Except as otherwise provided in Regulations Section 1.704-2(f), notwithstanding the provisions of Section 6.2, or any other provision of this Article 6, if there is a net decrease in Partnership Minimum Gain during any fiscal year, each Holder shall be specially allocated items of Partnership income and gain for such year (and, if necessary, subsequent years) in an amount equal to such Holder's share of the net decrease in Partnership Minimum Gain, as determined under Regulations Section 1.704-2(g). Allocations pursuant to the previous sentence shall be made in proportion to the respective amounts required to be allocated to each Holder pursuant thereto. The items to be allocated shall be determined in accordance with Regulations Sections 1.704-2(f)(6) and 1.704-2(j)(2). This Section 6.3.A(i) is intended to qualify as a "minimum gain chargeback" within the meaning of Regulation Section 1.704-2(f) which shall be controlling in the event of a conflict between such Regulation and this Section 6.3.A(i).

(ii) Partner Minimum Gain Chargeback. Except as otherwise provided in Regulations Section 1.704-2(i)(4), and notwithstanding the provisions of Section 6.2, or any other provision of this Article 6 (except Section 6.3.A(i)), if there is a net decrease in Partner Minimum Gain attributable to a Partner Nonrecourse Debt during any fiscal year, each Holder who has a share of the Partner Minimum Gain attributable to such Partner Nonrecourse Debt, determined in accordance with Regulations Section 1.704-2(i)(5), shall be specially allocated items of Partnership income and gain for such year (and, if necessary, subsequent years) in an amount equal to such Holder's share of the net decrease in Partner Minimum Gain attributable to such Partner Nonrecourse Debt, determined in accordance with Regulations Section 1.704-2(i)(4). Allocations pursuant to the previous sentence shall be made in proportion to the respective amounts required to be allocated to each Holder pursuant thereto. The items to be so allocated shall be

determined in accordance with Regulations Sections 1.704-2(i)(4) and 1.704-2(j)(2). This Section 6.3.A(ii) is intended to qualify as a "chargeback of partner nonrecourse debt minimum gain" within the meaning of Regulation Section 1.704-2(i) which shall be controlling in the event of a conflict between such Regulation and this Section 6.3.A(ii).

(iii) Nonrecourse Deductions and Partner Nonrecourse Deductions. Any Nonrecourse Deductions for any fiscal year shall be specially allocated to the Holders in accordance with their respective Percentage Interest in Common Units. Any Partner Nonrecourse Deductions for any fiscal year shall be specially allocated to the Holder(s) who bears the economic risk of loss with respect to the Partner Nonrecourse Debt to which such Partner Nonrecourse Deductions are attributable, in accordance with Regulations Sections 1.704-2(b)(4) and 1.704-2(i).

(iv) Qualified Income Offset. If any Holder unexpectedly receives an adjustment, allocation or distribution described in Regulations Section 1.704-1(b)(2)(ii)(d)(4), (5) or (6), items of Partnership income and gain shall be allocated, in accordance with Regulations Section 1.704-1(b)(2)(ii)(d), to the Holder in an amount and manner sufficient to eliminate, to the extent required by such Regulations, the Adjusted Capital Account Deficit of the Holder as quickly as possible provided that an allocation pursuant to this Section 6.3.A(iv) shall be made if and only to the extent that such Holder would have an Adjusted Capital Account Deficit after all other allocations provided in this Article 6 have been tentatively made as if this Section 6.3.A(iv) were not in the Agreement. It is intended that this Section 6.3.A(iv) qualify and be construed as a "qualified income offset" within the meaning of Regulations 1.704-1(b)(2)(ii)(d), which shall be controlling in the event of a conflict between such Regulations and this Section 6.3.A(iv).

(v) Gross Income Allocation. In the event any Holder has a deficit Capital Account at the end of any fiscal year which is in excess of the sum of (a) the amount (if any) such Holder is obligated to restore to the Partnership and (b) the amount such Holder is deemed to be obligated to restore pursuant to Regulations Section 1.704-1(b)(2)(ii)(c) or the penultimate sentences of Regulations Sections 1.704-2(g)(1) and 1.704-2(i)(5), each such Holder shall be specially allocated items of Partnership income and gain in the amount of such excess as quickly as possible; provided, that an allocation pursuant to this Section 6.3.A(v) shall be made if and only to the extent that such Holder would have a deficit Capital Account in excess of such sum after all other allocations provided in this Article 6 have been tentatively made as if this Section

6.3.A(v) and Section 6.3.A(iv) were not in the Agreement.

(vi) Limitation on Allocation of Net Loss. To the extent any allocation of Net Loss would cause or increase an Adjusted Capital Account Deficit as to any Holder, such allocation of Net Loss shall be reallocated among the other Holders in accordance with their respective Percentage Interests in Common Units, subject to the limitations of this Section 6.3.A(vi).

(vii) Section 754 Adjustment. To the extent an adjustment to the adjusted tax basis of any Partnership asset pursuant to Code Section 734(b) or Code Section 743(b) is required, pursuant to Regulations Section 1.704-1(b)(2)(iv)(m)(2) or

Regulations Section 1.704-1(b)(2)(iv)(m)(4), to be taken into account in determining Capital Accounts as the result of a distribution to a Holder in complete liquidation of his interest in the Partnership, the amount of such adjustment to the Capital Accounts shall be treated as an item of gain (if the adjustment increases the basis of the asset) or loss (if the adjustment decreases such basis) and such gain or loss shall be specially allocated to the Holders in accordance with their interests in the Partnership in the event that Regulations Section 1.704-1(b)(2)(iv)(m)(2) applies, or to the Holders to whom such distribution was made in the event that Regulations Section 1.704-1(b)(2)(iv)(m)(4) applies.

(viii) Curative Allocation. The allocations set forth in Sections 6.3.A(i), (ii), (iii), (iv), (v), (vi), and (vii) (the "Regulatory Allocations") are intended to comply with certain regulatory requirements, including the requirements of Regulations Sections 1.704-1(b) and 1.704-2. Notwithstanding the provisions of Sections 6.1 and 6.2, the Regulatory Allocations shall be taken into account in allocating other items of income, gain, loss and deduction among the Holders so that, to the extent possible, the net amount of such allocations of other items and the Regulatory Allocations to each Holder shall be equal to the net amount that would have been allocated to each such Holder if the Regulatory Allocations had not occurred.

B. For purposes of determining a Holder's proportional share of the "excess nonrecourse liabilities" of the Partnership within the meaning of Regulations Section 1.752-3(a)(3), each Holder's interest in Partnership profits shall be such Holder's Percentage Interest in Common Units.

Section 6.4. Tax Allocations

A. In General. Except as otherwise provided in this Section 6.4, for income tax purposes each item of income, gain, loss and deduction (collectively, "Tax Items") shall be allocated among the Holders in the same manner as its correlative item of "book" income, gain, loss or deduction is allocated pursuant to Sections 6.2 and 6.3.

B. Allocations Respecting Section 704(c) Revaluations. Notwithstanding Section 6.4.A, Tax Items with respect to Partnership property that is contributed to the Partnership by a Partner shall be shared among the Holders for income tax purposes pursuant to Regulations promulgated under Section 704(c) of the Code, so as to take into account the variation, if any, between the basis of the property to the Partnership and its initial Gross Asset Value. With respect to Partnership property that is initially contributed to the Partnership upon its formation pursuant to Section 4.1, such variation between basis and initial Gross Asset Value shall be taken into account under the "traditional method" as described in Regulations Section 1.704-3(b). With respect to properties subsequently contributed to the Partnership, the Partnership shall account for such variation under any method approved under Section 704(c) of the Code and the applicable regulations as chosen by the General Partner. In the event the Gross Asset Value of any Partnership asset is adjusted pursuant to subparagraph (ii) of the definition of Gross Asset Value (provided in Article 1), subsequent allocations of Tax Items with respect to such asset shall take account of the variation, if any, between the adjusted basis of such asset and its Gross Asset Value in the same manner as under Section 704(c) of the Code and the applicable regulations consistent with the requirements of Regulations Section 1.704-1(b)(2)(iv)(g) using

any method approved under 704(c) of the Code and the applicable regulations as chosen by the General Partner.

ARTICLE 7.
MANAGEMENT AND OPERATIONS OF BUSINESS

Section 7.1. Management

A. Except as otherwise expressly provided in this Agreement, all management powers over the business and affairs of the Partnership are exclusively vested in the General Partner, and no Limited Partner shall have any right to participate in or exercise control or management power over the business and affairs of the Partnership; provided, however, that the General Partner may be removed by the Majority in Interest of the Limited Partners, with or without cause, such removal effective upon the delivery of written notice thereof by the Limited Partners to the General Partner. In addition to the powers now or hereafter granted a general partner of a limited partnership under the Act and other applicable law or which are granted to the General Partner under any other provision of this Agreement, the General Partner, subject to the other provisions hereof including Section 7.3, shall have full power and authority to do all things deemed necessary or desirable by it to conduct the business of the Partnership, to exercise all powers set forth in Section 3.2 and to effectuate the purposes set forth in Section 3.1, including, without limitation:

(i) the making of any expenditures, the lending or borrowing of money (including, without limitation, making prepayments on loans and borrowing money to permit the Partnership to make distributions to its Partners in such amounts as will permit AMB, in its capacity as the sole general partner of the Operating Partnership and as sole stockholder of the General Partner (for so long as AMB has determined to qualify as a REIT), to avoid the payment of any Federal income tax (including, for this purpose, any excise tax pursuant to Section 4981 of the Code) and to make distributions to its stockholders sufficient to permit AMB to maintain REIT status), the assumption or guarantee of, or other contracting for, indebtedness and other liabilities, the issuance of evidences of indebtedness (including the securing of same by mortgage, deed of trust or other lien or encumbrance on all or any of the Partnership's assets) and the incurring of any obligations it deems necessary for the conduct of the activities of the Partnership;

(ii) the making of tax, regulatory and other filings, or rendering of periodic or other reports to governmental or other agencies having jurisdiction over the business or assets of the Partnership;

(iii) subject to the provisions of Section 7.3.D, the acquisition, disposition, mortgage, pledge, encumbrance, hypothecation or exchange of any assets of the Partnership or the merger or other combination of the Partnership with or into another entity;

(iv) the mortgage, pledge, encumbrance or hypothecation of all or any assets of the Partnership, and the use of the assets of the Partnership (including, without limitation, cash on hand) for any purpose consistent with the terms of this Agreement and on any terms it sees fit, including, without limitation, the financing of the conduct or the operations of the General Partner or the Partnership, the lending of funds to other Persons (including, without limitation, the General Partner (if necessary to permit the financing or capitalization of a subsidiary of the General Partner or the Partnership) and any Subsidiaries of the Partnership) and the repayment of obligations of the Partnership, any of its Subsidiaries and any other Person in which it has an equity investment;

(v) the negotiation, execution, and performance of any contracts, leases, conveyances or other instruments that the General Partner considers useful or necessary to the conduct of the Partnership's operations or the implementation of the General Partner's powers under this Agreement;

(vi) the distribution of Partnership cash or other Partnership assets in accordance with this Agreement;

(vii) the selection and dismissal of employees of the Partnership (including, without limitation, employees having titles such as "president," "vice president," "secretary" and "treasurer"), and agents, outside attorneys, accountants, consultants and contractors of the Partnership, the determination of their compensation and other terms of employment or hiring, including waivers of conflicts of interest and the payment of their expenses and compensation out of the Partnership's assets;

(viii) the maintenance of such insurance for the benefit of the Partnership and the Partners as it deems necessary or

appropriate;

(ix) the formation of, or acquisition of an interest in, and the contribution of property to, any further limited or general partnerships, joint ventures or other relationships that it deems desirable (including, without limitation, the acquisition of interests in, and the contributions of property to any Subsidiary and any other Person in which it has an equity investment from time to time); provided that as long as AMB, in its capacity as the sole stockholder of the General Partner and as the sole general partner of the Operating Partnership, has determined to continue to qualify as a REIT, the Partnership may not engage in any such formation, acquisition or contribution that would cause AMB to fail to qualify as a REIT;

(x) the control of any matters affecting the rights and obligations of the Partnership, including the conduct of litigation and the incurring of legal expense and the settlement of claims and litigation, and the indemnification of any Person against liabilities and contingencies to the extent permitted by law;

(xi) the undertaking of any action in connection with the Partnership's direct or indirect investment in any Person (including, without limitation, contributing or loaning Partnership funds to, incurring indebtedness on behalf of, or guarantying the obligations of any such Persons);

(xii) subject to the other provisions in this Agreement, the determination of the fair market value of any Partnership property distributed in kind using such reasonable method of valuation as it may adopt; provided that, such methods are otherwise consistent with requirements of this Agreement;

(xiii) the management, operation, leasing, landscaping, repair, alteration, demolition or improvement of any real property or improvements owned by the Partnership or any Subsidiary of the Partnership or any Person in which the Partnership has made a direct or indirect equity investment;

(xiv) holding, managing, investing and reinvesting cash and other assets of the Partnership;

(xv) the collection and receipt of revenues and income of the Partnership;

(xvi) the exercise, directly or indirectly through any attorney-in-fact acting under a general or limited power of attorney, of any right, including the right to vote, appurtenant to any asset or investment held by the Partnership;

(xvii) the exercise of any of the powers of the General Partner enumerated in this Agreement on behalf of or in connection with any Subsidiary of the Partnership or any other Person in which the Partnership has a direct or indirect interest, or jointly with any such Subsidiary or other Person;

(xviii) the exercise of any of the powers of the General Partner enumerated in this Agreement on behalf of any Person in which the Partnership does not have an interest, pursuant to contractual or other arrangements with such Person;

(xix) the making, execution and delivery of any and all deeds, leases, notes, deeds to secure debt, mortgages, deeds of trust, security agreements, conveyances, contracts, guarantees, warranties, indemnities, waivers, releases or legal instruments or other agreements in writing necessary or appropriate in the judgment of the General Partner for the accomplishment of any of the powers of the General Partner enumerated in this Agreement; and

(xx) the making of loans by the Partnership to its Partners, for any purpose, provided that such loans be upon arm's-length terms.

B. Each of the Limited Partners agrees that the General Partner is authorized to execute, deliver and perform the above-mentioned agreements and transactions on behalf of the Partnership without any further act, approval or vote of the Partners, notwithstanding any

other provisions of this Agreement (except as provided in Section 7.3), the Act or any applicable law, rule or regulation. The execution, delivery or performance by the General Partner or the Partnership of any agreement authorized or permitted under this Agreement shall not constitute a breach by the General Partner of any duty that the General Partner may owe the Partnership or the Limited Partners or any other Persons under this Agreement or of any duty stated or implied by law or equity.

C. At all times from and after the date hereof, the General Partner may cause the Partnership to obtain and maintain (i) casualty, liability and other insurance (including, without limitation, earthquake insurance) on the properties of the Partnership and (ii) liability insurance for the Indemnities hereunder.

D. At all times from and after the date hereof, the General Partner may cause the Partnership to establish and maintain working capital and other reserves in such amounts as the General Partner, in its sole and absolute discretion, deems appropriate and reasonable from time to time.

E. In exercising its authority under this Agreement, the General Partner may, but other than as set forth in the following sentence and as expressly set forth in the agreements listed on Exhibit H hereto, shall be under no obligation to, take into account the tax consequences to any Partner (including the General Partner) of any action taken by the General Partner. The General Partner and the Partnership shall not have liability to a Limited Partner under any circumstances as a result of an income tax liability incurred by such Limited Partner as a result of an action (or inaction) by the General Partner pursuant to its authority under this Agreement.

F. Except as otherwise provided herein, to the extent the duties of the General Partner require expenditures of funds to be paid to third parties, the General Partner shall not have any obligations hereunder except to the extent that Partnership funds are reasonably available to it for the performance of such duties, and nothing herein contained shall be deemed to authorize or require the General Partner, in its capacity as such, to expend its individual funds for payment to third parties or to undertake any individual liability or obligation on behalf of the Partnership.

Section 7.2. Certificate of Limited Partnership

To the extent that such action is determined by the General Partner to be reasonable and necessary or appropriate, the General Partner shall file amendments to and restatements of the Certificate and do all the things to maintain the Partnership as a limited partnership (or a partnership in which the limited partners have limited liability) under the laws of the State of Delaware and to maintain the Partnership's qualification to do business as a foreign limited partnership in each other state, the District of Columbia or other jurisdiction, in which the Partnership may elect to do business or own property. Subject to the terms of Section 8.5.A(iv), the General Partner shall not be required, before or after filing, to deliver or mail a copy of the Certificate or any amendment thereto to any Limited Partner. The General Partner shall use all reasonable efforts to cause to be filed such other certificates or documents as may be reasonable and necessary or appropriate for the formation, continuation, qualification and operation of a limited partnership (or a partnership in which the limited partners have limited

liability) in the State of Delaware, and any other state, or the District of Columbia or other jurisdiction, in which the Partnership may elect to do business or own property.

Section 7.3. Restrictions on General Partner's Authority

A. The General Partner may not take any action in contravention of this Agreement, including, without limitation:

(i) take any action that would make it impossible to carry on the ordinary business of the Partnership, except as otherwise provided in this Agreement;

(ii) possess Partnership property, or assign any rights in specific Partnership property, for other than a Partnership purpose except as otherwise provided in this Agreement;

(iii) admit a Person as a Partner, except as otherwise provided in this Agreement;

(iv) perform any act that would subject a Limited Partner to liability as a general partner in any jurisdiction or any other liability except as provided herein or under the Act; or

(v) perform any act that would subject the Partnership to regulation as an "investment company" as such term is defined under the Investment Company Act of 1940, as amended.

B. The General Partner shall not, without the prior Consent of the Partners (in addition to any Consent of the Limited Partners required by any other provision hereof), undertake, on behalf of the Partnership, any of the following actions or enter into any transaction which would have the effect of such transactions:

(i) except as provided in Section 7.3.D below, amend, modify or terminate this Agreement other than to reflect the admission, substitution, termination or withdrawal of partners pursuant to Article 12;

(ii) make a general assignment for the benefit of creditors or appoint or acquiesce in the appointment of a custodian, receiver or trustee for all or any part of the assets of the Partnership;

(iii) institute any proceeding for bankruptcy on behalf of the Partnership;

(iv) confess a judgment against the Partnership; or

(v) enter into a merger (including a triangular merger), consolidation or other combination of the Partnership with or into another entity.

C. Except in the case of a Liquidating Event pursuant to Section 13.1 (other than Section 13.1.F), the General Partner shall not, without the prior Consent of the Limited

Partners, undertake, on behalf of the Partnership, any actions or enter into any transaction which would have the effect of a dissolution of the Partnership, including a sale, exchange, transfer or other disposition of all or substantially all of the Partnership's assets in a single transaction or a series of related transactions.

D. Notwithstanding Sections 7.3.B and 7.3.C, but subject to Section 7.3.E, the General Partner shall have the power, without the Consent of the Partners, to amend this Agreement as may be required to facilitate or implement any of the following purposes:

(i) to add to the obligations of the General Partner or surrender any right or power granted to the General Partner or any Affiliate of the General Partner for the benefit of the Limited Partners;

(ii) to reflect the issuance of additional Partnership Interests pursuant to Section 4.3.B, or the admission, substitution, termination, reduction in Partnership Units or withdrawal of Partners in accordance with this Agreement (which may be effected through the replacement of Exhibit A with an amended Exhibit A);

(iii) to set forth or amend the designations, rights, powers, duties, and preferences of the holders of any additional Partnership Interests issued pursuant to Article 4;

(iv) to reflect a change that is of an inconsequential nature and does not adversely affect the Limited Partners in any material respect, or to cure any ambiguity in, correct or supplement any provision, or make other changes with respect to matters arising under, this Agreement that will not be inconsistent with law or with the provisions of this Agreement;

(v) to satisfy any requirements, conditions, or guidelines contained in any order, directive, opinion, ruling or regulation of a Federal, state of local agency or contained in Federal, state or local law.

(vi) to reflect such changes as are reasonably necessary for AMB, in its capacity as the sole stockholder of the General Partner and as the sole general partner of the Operating Partnership, to maintain its status as a REIT, including changes which may be necessitated due to a change in applicable law (or an authoritative interpretation thereof) or a ruling of the IRS; and

(vii) to modify, as set forth in the definition of "Capital Account," the manner in which Capital Accounts are computed.

The General Partner will provide notice to the Limited Partners when any action under this Section 7.3.D is taken.

E. Notwithstanding Sections 7.3.B, 7.3.C and 7.3.D, this Agreement shall not be amended, and no action may be taken by the General Partner, including in either case through merger or sale of assets of the Partnership or otherwise, without the Consent of each Common

Limited Partner or Preferred Limited Partner adversely affected if such amendment or action would (i) convert a Limited Partner's interest in the Partnership into a general partner's interest (except as the result of the General Partner acquiring such interest), (ii) modify the limited liability of a Limited Partner, (iii) alter rights of the Partner to receive distributions pursuant to Article 5 or Section 13.2.A(4) or Articles 17, 18 or 19 or the allocations specified in Article 6 (except as permitted pursuant to Sections 4.3 and 7.3.D), (iv) alter the Series D Redemption or exchange rights as set forth in Sections 17.5 and 17.8, respectively, the Series E Redemption or exchange rights as set forth in Sections 18.5 and 18.8, respectively, the Series F Redemption or exchange rights as set forth in Sections 19.5 and 19.8, respectively, the Series H Redemption or exchange rights as set forth in Sections 21.5 and 21.8, respectively, or the Series I Redemption or exchange rights as set forth in Sections 22.5 and 22.8, respectively, or (v) amend this Section 7.3.E. Further, no amendment may alter the restrictions on the General Partner's authority set forth elsewhere in this Section 7.3 without the Consent specified in such section.

F. The General Partner shall not undertake to dispose of any Partnership Property specified in the agreements listed in Exhibit G in a taxable sale or taxable exchange prior to the dates specified in such agreements without the prior consent of each Limited Partner which contributed all or any portion of an interest in such Property to the Partnership, as set forth in such agreements.

Section 7.4. Reimbursement of the General Partner

A. Except as provided in this Section 7.4 and elsewhere in this Agreement (including the provisions of Articles 5 and 6 regarding distributions, payments and allocations to which it may be entitled), the General Partner shall not be compensated for its services as general partner of the Partnership.

B. The General Partner shall be reimbursed on a monthly basis, or such other basis as the General Partner may determine in its sole and absolute discretion, for all expenses it incurs relating to the ownership of interests in and operation of, or for the benefit of, the Partnership. Such reimbursements shall be in addition to any reimbursement to the General Partner as a result of indemnification pursuant to Section 7.7.

C. If and to the extent any reimbursements to the General Partner pursuant to this Section 7.4 constitute gross income of the General Partner (as opposed to the repayment of advances made by the General Partner on behalf of the Partnership), such amounts shall constitute guaranteed payments within the meaning of Section 707(c) of the Code, shall be treated consistently therewith by the Partnership and all Partners, and shall not be treated as distributions for purposes of computing the Partners' Capital Accounts.

Section 7.5. Outside Activities of the General Partner

Without the Consent of the Limited Partners, the General Partner shall not, directly or indirectly, enter into or conduct any business, other than in connection with the ownership, acquisition and disposition of Partnership Interests as a General Partner and the management of the business of the Partnership and such activities as are incidental to the same and activities incidental to the ownership of interests permitted by the next succeeding sentence. Without the Consent of the Limited Partners, the General Partner shall not, directly or indirectly,

participate in or otherwise acquire any interest in any real or personal property, except its General Partner Interest, its interest in any Subsidiary Partnership(s) (held directly or indirectly through a Qualified REIT Subsidiary) that the General Partner holds in order to maintain such Subsidiary Partnership's status as a partnership, and such bank accounts, similar instruments or other short-term investments as it deems necessary to carry out its responsibilities contemplated under this Agreement and the REIT Charter. The General Partner's General Partner Interest in the Partnership, and interests in such short-term liquid investments, bank accounts or similar instruments as the General Partner deems necessary to carry out its responsibilities contemplated under this Agreement and the Charter are interests which the General Partner is permitted to acquire and hold for purposes of this Section 7.5.

Section 7.6. Employee Benefit Plans

The General Partner, in its sole and absolute discretion and without the approval of the Limited Partners, may propose and adopt on behalf of the Partnership employee benefit plans funded by the Partnership for the benefit of employees of the General Partner, the Partnership, Subsidiaries of the Partnership or any Affiliate of any of them in respect of services performed, directly or indirectly, for the benefit of the Partnership, the General Partner, or any of the Partnership's Subsidiaries.

Section 7.7. Indemnification

A. The Partnership shall indemnify an Indemnitee from and against any and all losses, claims, damages, liabilities, joint or several, expenses (including legal fees and expenses), judgments, fines, settlements, and other amounts arising from any and all claims, demands, actions, suits or proceedings, civil, criminal, administrative or investigative, that relate to the operations of the Partnership as set forth in this Agreement in which any Indemnitee may be involved, or is threatened to be involved, as a party or otherwise, unless it is established that: (i) the act or omission of the Indemnitee was material to the matter giving rise to the proceeding and either was committed in bad faith or was the result of active and deliberate dishonesty; (ii) the Indemnitee actually received an improper personal benefit in money, property or services; or (iii) in the case of any criminal proceeding, the Indemnitee had reasonable cause to believe that the act or omission was unlawful. Without limitation, the foregoing indemnity shall extend to any liability of any Indemnitee, pursuant to a loan guaranty or otherwise, for any indebtedness of the Partnership or any Subsidiary of the Partnership (including, without limitation, any indebtedness which the Partnership or any Subsidiary of the Partnership has assumed or taken subject to), and the General Partner is hereby authorized and empowered, on behalf of the Partnership, to enter into one or more indemnity agreements consistent with the provisions of this Section 7.7 in favor of any Indemnitee having or potentially having liability for any such indebtedness. The termination of any proceeding by judgment, order or settlement does not create a presumption that the Indemnitee did not meet the requisite standard of conduct set forth in this Section 7.7.A. The termination of any proceeding by conviction or upon a plea of nolo contendere or its equivalent, or any entry of an order of probation prior to judgment, creates a rebuttable presumption that the Indemnitee acted in a manner contrary to that specified in this Section 7.7.A. Any indemnification pursuant to this Section 7.7 shall be made only out of the assets of the Partnership, and any insurance proceeds from the liability policy covering the General Partner and any Indemnitee, and neither the General Partner nor any Limited Partner

shall have any obligation to contribute to the capital of the Partnership or otherwise provide funds to enable the Partnership to fund its obligations under this Section 7.7.

B. Reasonable expenses incurred by an Indemnitee who is a party to a proceeding may be paid or reimbursed by the Partnership in advance of the final disposition of the proceeding upon receipt by the Partnership of (i) a written affirmation by the Indemnitee of the Indemnitee's good faith belief that the standard of conduct necessary for indemnification by the Partnership as authorized in Section 7.7.A has been met and (ii) a written undertaking by or on behalf of the Indemnitee to repay the amount if it shall ultimately be determined that the standard of conduct has not been met.

C. The indemnification provided by this Section 7.7 shall be in addition to any other rights to which an Indemnitee or any other Person may be entitled under any agreement, pursuant to any vote of the Partners, as a matter of law or otherwise, and shall continue as to an Indemnitee who has ceased to serve in such capacity.

D. The Partnership may purchase and maintain insurance, on behalf of the Indemnitees and such other Persons as the General Partner shall determine, against any liability that may be asserted against or expenses that may be incurred by any such Person in connection with the Partnership's activities, regardless of whether the Partnership would have the power to indemnify such Person against such liability under the provisions of this Agreement.

E. For purposes of this Section 7.7, the Partnership shall be deemed to have requested an Indemnitee to serve as fiduciary of an employee benefit plan whenever the performance by it of its duties to the Partnership also imposes duties on, or otherwise involves services by, it to the plan or participants or beneficiaries of the plan; excise taxes assessed on an Indemnitee with respect to an employee benefit plan pursuant to applicable law shall constitute fines within the meaning of Section 7.7; and actions taken or omitted by the Indemnitee with respect to an employee benefit plan in the performance of its duties for a purpose reasonably believed by it to be in the interest of the participants and beneficiaries of the plan shall be deemed to be for a purpose which is not opposed to the best interests of the Partnership.

F. In no event may an Indemnitee subject the Limited Partners to personal liability by reason of the indemnification provisions set forth in this Agreement.

G. An Indemnitee shall not be denied indemnification in whole or in part under this Section 7.7 because the Indemnitee had an interest in the transaction with respect to which the indemnification applies if the transaction was otherwise permitted by the terms of this Agreement.

H. The provisions of this Section 7.7 are for the benefit of the Indemnitees, their heirs, successors, assigns and administrators and shall not be deemed to create any rights for the benefit of any other Persons. Any amendment, modification or repeal of this Section 7.7 or any provision hereof shall be prospective only and shall not in any way affect the limitations on the Partnership's liability to any Indemnitee under this Section 7.7 as in effect immediately prior to such amendment, modification or repeal with respect to claims arising from or relating to matters occurring, in whole or in part, prior to such amendment, modification or repeal, regardless of when such claims may arise or be asserted.

I. If and to the extent any reimbursements to the General Partner pursuant to this Section 7.7 constitute gross income of the General Partner (as opposed to the repayment of advances made by the General Partner on behalf of the Partnership) such amounts shall constitute guaranteed payments within the meaning of Section 707(c) of the Code, shall be treated consistently therewith by the Partnership and all Partners, and shall not be treated as distributions for purposes of computing the Partners' Capital Accounts.

J. Any indemnification hereunder is subject to, and limited by, the provisions of Section 17-108 of the Act.

K. In the event the Partnership is made a party to any litigation or otherwise incurs any loss or expense as a result of or in connection with any Partner's personal obligations or liabilities unrelated to Partnership business, such Partner shall indemnify and reimburse the Partnership for all such loss and expense incurred, including legal fees, and the Partnership Interest of such Partner may be charged therefor. The liability of a Partner under this Section 7.7.K shall not be limited to such Partner's Partnership Interest, but shall be enforceable against such Partner personally.

Section 7.8. Liability of the General Partner

A. Notwithstanding anything to the contrary set forth in this Agreement, none of the General Partner and any of its officers, directors, agents and employees shall be liable or accountable in damages or otherwise to the Partnership, any Partners or any Assignees, or their successors or assigns, for losses sustained, liabilities incurred or benefits not derived as a result of errors in judgment or mistakes of fact or law or any act or omission if the General Partner acted in good faith.

B. The Limited Partners expressly acknowledge that the General Partner is acting for the benefit of the Partnership, the Limited Partners and the General Partner's stockholders collectively, that the General Partner is under no obligation to give priority to the separate interests of the Limited Partners or the General Partner's stockholders (including, without limitation, the tax consequences to Limited Partners or Assignees or to stockholders) in deciding whether to cause the Partnership to take (or decline to take) any actions and that the General Partner shall not be liable to the Partnership or to any Limited Partner for monetary damages for losses sustained, liabilities incurred, or benefits not derived by Limited Partners in connection with such decisions; provided, that the General Partner has acted in good faith.

C. Subject to its obligations and duties as General Partner set forth in Section 7.1.A, the General Partner may exercise any of the powers granted to it by this Agreement and perform any of the duties imposed upon it hereunder either directly or by or through its agents. The General Partner shall not be responsible for any misconduct or negligence on the part of any such agent appointed by it in good faith.

D. Any amendment, modification or repeal of this Section 7.8 or any provision hereof shall be prospective only and shall not in any way affect the limitations on the liability of the General Partner and any of its officers, directors, agents and employees to the Partnership and the Limited Partners under this Section 7.8 as in effect immediately prior to such amendment, modification or repeal with respect to claims arising from or relating to matters

occurring, in whole or in part, prior to such amendment, modification or repeal,

regardless of when such claims may arise or be asserted.

Section 7.9. Other Matters Concerning the General Partner

A. The General Partner may rely and shall be protected in acting or refraining from acting upon any resolution, certificate, statement, instrument, opinion, report, notice, request, consent, order, bond, debenture, or other paper or document believed by it to be genuine and to have been signed or presented by the proper party or parties.

B. The General Partner may consult with legal counsel, accountants, appraisers, management consultants, investment bankers and other consultants and advisers selected by it, and any act taken or omitted to be taken in reliance upon the opinion of such Persons as to matters which such General Partner reasonably believes to be within such Person's professional or expert competence shall be conclusively presumed to have been done or omitted in good faith and in accordance with such opinion.

C. The General Partner shall have the right, in respect of any of its powers or obligations hereunder, to act through any of its duly authorized officers and a duly appointed attorney or attorneys-in-fact. Each such attorney shall, to the extent provided by the General Partner in the power of attorney, have full power and authority to do and perform all and every act and duty which is permitted or required to be done by the General Partner hereunder.

D. Notwithstanding any other provisions of this Agreement or any non-mandatory provision of the Act, any action of the General Partner on behalf of the Partnership or any decision of the General Partner to refrain from acting on behalf of the Partnership, undertaken in the good faith belief that such action or omission is necessary or advisable in order to protect the ability of AMB, in its capacity as the sole stockholder of the General Partner and as the sole general partner of the Operating Partnership, for so long as AMB has determined to qualify as a REIT, to (i) continue to qualify as a REIT or (ii) except with respect to the distribution of Available Cash to the Series D Limited Partners, the Series E Limited Partners, the Series F Limited Partners, the Series H Limited Partners and the Series I Limited Partners in accordance in accordance with Sections 17.3, 18.3, 19.3, 21.3 and 22.3, respectively, avoid AMB incurring any taxes under Section 857 or Section 4981 of the Code, is expressly authorized under this Agreement and is deemed approved by all of the Limited Partners.

E. So long as the General Partner holds any interest in the Partnership (as either a General Partner or Limited Partner), the General Partner shall have "management rights" (as such term is defined in the Plan Asset Regulation) with respect to the Partnership and its Properties to the extent necessary to qualify AMB as a "venture capital operating company" (as such term is defined in the Plan Asset Regulation).

Section 7.10. Title to Partnership Assets

Title to Partnership assets, whether real, personal or mixed and whether tangible or intangible, shall be deemed to be owned by the Partnership as an entity, and no Partners, individually or collectively, shall have any ownership interest in such Partnership assets or any portion thereof. Title to any or all of the Partnership assets may be held in the name of the Partnership, the General Partner or one or more nominees, as the General Partner may determine,

including Affiliates of the General Partner. The General Partner hereby declares and warrants that any Partnership assets for which legal title is held in the name of the General Partner or any nominee or Affiliate of the General Partner shall be deemed held by the General Partner or such nominee or Affiliate for the use and benefit of the Partnership in accordance with the provisions of this Agreement; provided, however, that the General Partner shall use its best efforts to cause beneficial and record title to such assets to be vested in the Partnership as soon as reasonably practicable. All Partnership assets shall be recorded as the property of the Partnership in its books and records, irrespective of the name in which legal title to such Partnership assets is held.

Section 7.11. Reliance by Third Parties

Notwithstanding anything to the contrary in this Agreement, any Person dealing with the Partnership shall be entitled to assume that the General Partner has full power and authority to encumber, sell or otherwise use in any manner any and all assets of the Partnership and to enter into any contracts on behalf of the Partnership, and such Person shall be entitled to deal with the General Partner as if it were the Partnership's sole party in interest, both legally and beneficially. Each Limited Partner hereby waives any and all defenses or other remedies which may be available against such Person to contest, negate or disaffirm any action of the General Partner in connection with any such dealing. In no event shall any Person dealing with the General

Partner or its representatives be obligated to ascertain that the terms of this Agreement have been complied with or to inquire into the necessity or expedience of any act or action of the General Partner or its representatives. Each and every certificate, document or other instrument executed on behalf of the Partnership by the General Partner or its representatives shall be conclusive evidence in favor of any and every Person relying thereon or claiming thereunder that (i) at the time of the execution and delivery of such certificate, document or instrument, this Agreement was in full force and effect, (ii) the Person executing and delivering such certificate, document or instrument was duly authorized and empowered to do so for and on behalf of the Partnership and (iii) such certificate, document or instrument was duly executed and delivered in accordance with the terms and provisions of this Agreement and is binding upon the Partnership.

ARTICLE 8.
RIGHTS AND OBLIGATIONS OF LIMITED PARTNERS

Section 8.1. Limitation of Liability

The Limited Partners shall have no liability under this Agreement except as expressly provided in this Agreement or under the Act.

Section 8.2. Management of Business

No Limited Partner or Assignee (other than the General Partner, any of its Affiliates or any officer, director, employee, general partner, agent or trustee of the General Partner, the Partnership or any of their Affiliates, in their capacity as such) shall take part in the operations, management or control (within the meaning of the Act) of the Partnership's business, transact any business in the Partnership's name or have the power to sign documents for or otherwise bind the Partnership. Notwithstanding the foregoing, the General Partner may be removed by the Limited Partners, pursuant to and in accordance with Section 7.1. Upon the removal of the General Partner, the Common Limited Partners shall select a successor General

Partner, who shall upon the acceptance of such selection be admitted as a successor General Partner pursuant to Section 12.1 hereof. The transaction of any such business by the General Partner, any of its Affiliates or any officer, director, employee, general partner, agent or trustee of the General Partner, the Partnership or any of their Affiliates, in their capacity as such, shall not affect, impair or eliminate the limitations on the liability of the Limited Partners or Assignees under this Agreement.

Section 8.3. Outside Activities of Limited Partners

Subject to any agreements entered into by a Limited Partner or its Affiliates with the General Partner, Partnership or a Subsidiary, any Limited Partner and any officer, director, employee, agent, trustee, Affiliate or stockholder of any Limited Partner shall be entitled to and may have business interests and engage in business activities in addition to those relating to the Partnership, including business interests and activities in direct competition with the Partnership or that are enhanced by the activities of the Partnership. Neither the Partnership nor any Partners shall have any rights by virtue of this Agreement in any business ventures of any Limited Partner or Assignee. Subject to such agreements, none of the Limited Partners nor any other Person shall have any rights by virtue of this Agreement or the partnership relationship established hereby in any business ventures of any other Person, other than the Limited Partners benefiting from the business conducted by the General Partner, and such other Person shall have no obligation pursuant to this Agreement to offer any interest in any such business ventures to the Partnership, any Limited Partner or any such other Person, even if such opportunity is of a character which, if presented to the Partnership, any Limited Partner or such other Person, could be taken by such other Person.

Section 8.4. Return of Capital

Except pursuant to the Series D Redemption and exchange rights set forth in Sections 17.5 and 17.8, the Series E Redemption and exchange rights set forth in Sections 18.5 and 18.8, the Series F Redemption and exchange rights set forth in Sections 19.5 and 19.8, the Series H Redemption and exchange rights set forth in Sections 21.5 and 21.8 and the Series I Redemption and exchange rights set forth in Sections 22.5 and 22.8 no Limited Partner shall be entitled to the withdrawal or return of his or her Capital Contribution, except to the extent of distributions made pursuant to this Agreement or upon termination of the Partnership as provided herein. Except as expressly set forth herein with respect to the rights, priorities and preferences of the Preferred Limited Partners holding any series of Preferred Units, no Limited Partner or Assignee shall have priority over any other Limited Partner or Assignee either as to the return of Capital Contributions, or as otherwise expressly provided in this Agreement, as to profits, losses, distributions or credits.

Section 8.5. Rights of Limited Partners Relating to the Partnership

A. In addition to other rights provided by this Agreement or by the Act, and except as limited by Section 8.5.B, each Limited Partner shall have the right, for a purpose reasonably related to such Limited Partner's interest as a limited partner in the Partnership, upon written demand with a statement of the purpose of such demand and at the Partnership's expense:

(i) to obtain a copy of the most recent annual and quarterly reports filed with the Securities and Exchange Commission by AMB pursuant to the Exchange Act, and each communication sent to the stockholders of AMB;

(ii) to obtain a copy of the Partnership's Federal, state and local income tax returns for each Partnership Year;

(iii) to obtain a current list of the name and last known business, residence or mailing address of each Partner;

(iv) to obtain a copy of this Agreement and the Certificate and all amendments thereto, together with executed copies of all powers of attorney pursuant to which this Agreement, the Certificate and all amendments thereto have been executed; and

(v) to obtain true and full information regarding the amount of cash and a description and statement of any other property or services contributed by each Partner and which each Partner has agreed to contribute in the future, and the date on which each became a Partner.

B. Notwithstanding any other provision of this Section 8.5, the General Partner may keep confidential from the Limited Partners, for such period of time as the General Partner determines in its sole and absolute discretion to be reasonable, any information that (i) the General Partner believes to be in the nature of trade secrets or other information the disclosure of which the General Partner in good faith believes is not in the best interests of the Partnership or (ii) the Partnership or the General Partner is required by law or by agreements with unaffiliated third parties to keep confidential.

ARTICLE 9.
BOOKS, RECORDS, ACCOUNTING AND REPORTS

Section 9.1. Records and Accounting

The General Partner shall keep or cause to be kept at the principal office of the Partnership appropriate books and records with respect to the Partnership's business, including without limitation, all books and records necessary to provide to the Limited Partners any information, lists and copies of documents required to be provided pursuant to Section 9.3. Any records maintained by or on behalf of the Partnership in the regular course of its business may be kept on, or be in the form of, punch cards, magnetic tape, photographs, micrographics or any other information storage device; provided, that the records so maintained are convertible into clearly legible written form within a reasonable period of time. The books of the Partnership shall be maintained, for financial and tax reporting purposes, on an accrual basis in accordance with generally accepted accounting principles.

Section 9.2. Fiscal Year

The fiscal year of the Partnership shall be the calendar year.

Section 9.3. Reports

A. (1) As soon as practicable, but in no event later than the earlier to occur of (a) 105 days after the close of each Partnership Year and (b) five (5) business days following the date on which Company files its annual report in respect of a fiscal year on Form 10-K, or such other applicable form ("Form 10-K"), with the Securities and Exchange Commission (the "Commission"), a complete copy of AMB's audited financial statements for such fiscal year including a balance sheet, income statement and cash flow statement for such fiscal year prepared and audited by an independent nationally recognized firm of certified public accountants in accordance with GAAP and (2) not later than fifteen (15) days after the date documents are delivered in clause (A)(1) above, the consolidating balance sheet, cash flow statement and income statement of the Operating Partnership for such fiscal year, prepared by AMB; and

B. (1) As soon as practicable, but in no event later than five (5) business days following the date on which AMB files its quarterly report in respect of a fiscal quarter on Form 10-Q, or such other applicable form ("Form 10-Q"), with the Commission, a complete copy of AMB's unaudited quarterly

financial statements for such fiscal quarter including a balance sheet, income statement and cash flow statement for such fiscal quarter prepared in accordance with GAAP and (2) not later than fifteen (15) days after the date documents are delivered in clause (B)(1) above, the consolidating balance sheet, cash flow statement and income statement of the Operating Partnership for such fiscal quarter, prepared and certified by AMB.

Section 9.4. Nondisclosure of Certain Information

Notwithstanding the provisions of Sections 9.1 and 9.3, the General Partner may keep confidential from the Limited Partners any information that the General Partner believes to be in the nature of trade secrets or other information the disclosure of which the General Partner in good faith believes is not in the best interests of the Partnership or which the Partnership is required by law or by agreements with unaffiliated third parties to keep confidential.

ARTICLE 10.
TAX MATTERS

Section 10.1. Preparation of Tax Returns

The General Partner shall arrange for the preparation and timely filing of all returns of Partnership income, gains, deductions, losses and other items required of the Partnership for Federal and state income tax purposes and shall use all reasonable efforts to furnish, within ninety (90) days of the close of each taxable year, the tax information reasonably required by Limited Partners for Federal and state income tax reporting purposes. Each Limited Partner shall promptly provide the General Partner with such information relating to any Contributed Property contributed by such Limited Partner to the Partnership.

Section 10.2. Tax Elections

Except as otherwise provided herein, the General Partner shall, in its sole and absolute discretion, determine whether to make any available election pursuant to the Code, including the election under Section 754 of the Code. The General Partner shall have the right to

seek to revoke any such election (including without limitation, any election under Section 754 of the Code) upon the General Partner's determination in its sole and absolute discretion that such revocation is the best interests of the Partners.

Section 10.3. Tax Matters Partner

A. The General Partner shall be the "tax matters partner" of the Partnership for Federal income tax purposes. Pursuant to Section 6223(c) of the Code, upon receipt of notice from the IRS of the beginning of an administrative proceeding with respect to the Partnership, the tax matters partner shall furnish the IRS with the name, address and profit interest of each of the Limited Partners and Assignees; provided, however, that such information is provided to the Partnership by the Limited Partners and Assignees.

B. The tax matters partner is authorized, but not required:

(i) to enter into any settlement with the IRS with respect to any administrative or judicial proceedings for the adjustment of Partnership items required to be taken into account by a Partner for income tax purposes (such administrative proceedings being referred to as a "tax audit" and such judicial proceedings being referred to as "judicial review"), and in the settlement agreement the tax matters partner may expressly state that such agreement shall bind all Partners, except that such settlement agreement shall not bind any Partner (a) who (within the time prescribed pursuant to the Code and Regulations) files a statement with the IRS providing that the tax matters partner shall not have the authority to enter into a settlement agreement on behalf of such Partner or (b) who is a "notice partner" (as defined in Section 6231 of the Code) or a member of a "notice group" (as defined in Section 6223(b)(2) of the Code);

(ii) in the event that a notice of a final administrative adjustment at the Partnership level of any item required to be taken into account by a Partner for tax purposes (a "final adjustment") is mailed to the tax matters partner, to seek judicial review of such final adjustment, including the filing of a petition for readjustment with the Tax Court or the United States Claims Court, or the filing of a complaint for refund with the District Court of the United States for the district in which the Partnership's principal place of

business is located;

(iii) to intervene in any action brought by any other Partner for judicial review of a final adjustment;

(iv) to file a request for an administrative adjustment with the IRS at any time and, if any part of such request is not allowed by the IRS, to file an appropriate pleading (petition or complaint) for judicial review with respect to such request;

(v) to enter into an agreement with the IRS to extend the period for assessing any tax which is attributable to any item required to be taken into account by a Partner for tax purposes, or an item affected by such item; and

(vi) to take any other action on behalf of the Partners of the Partnership in connection with any tax audit or judicial review proceeding to the extent permitted by applicable law or regulations.

The taking of any action and the incurring of any expense by the tax matters partner in connection with any such proceeding, except to the extent required by law, is a matter in the sole and absolute discretion of the tax matters partner and the provisions relating to indemnification of the General Partner set forth in Section 7.7 shall be fully applicable to the tax matters partner in its capacity as such.

C. The tax matters partner shall receive no compensation for its services. All third party costs and expenses incurred by the tax matters partner in performing its duties as such (including legal and accounting fees) shall be borne by the Partnership. Nothing herein shall be construed to restrict the Partnership from engaging an accounting firm to assist the tax matters partner in discharging its duties hereunder, so long as the compensation paid by the Partnership for such services is reasonable.

Section 10.4. Organizational Expenses

The Partnership shall elect to deduct expenses, if any, incurred by it in organizing the Partnership ratably over a sixty (60) month period as provided in Section 709 of the Code.

Section 10.5. Withholding

Each Limited Partner hereby authorizes the Partnership to withhold from or pay on behalf of or with respect to such Limited Partner any amount of Federal, state, local, or foreign taxes that the General Partner determines that the Partnership is required to withhold or pay with respect to any amount distributable or allocable to such Limited Partner pursuant to this Agreement, including, without limitation, any taxes required to be withheld or paid by the Partnership pursuant to Sections 1441, 1442, 1445 or 1446 of the Code. Any amount paid on behalf of or with respect to a Limited Partner shall constitute a loan by the Partnership to such Limited Partner, which loan shall be repaid by such Limited Partner within fifteen (15) days after notice from the General Partner that such payment must be made unless (i) the Partnership withholds such payment from a distribution which would otherwise be made to the Limited Partner or (ii) the General Partner determines, in its sole and absolute discretion, that such payment may be satisfied out of the available funds of the Partnership which would, but for such payment, be distributed to the Limited Partner. Any amounts withheld pursuant to the foregoing clauses (i) or (ii) shall be treated as having been distributed to such Limited Partner. Each Limited Partner hereby unconditionally and irrevocably grants to the Partnership a security interest in such Limited Partner's Partnership Interest to secure such Limited Partner's obligation to pay to the Partnership any amounts required to be paid pursuant to this Section 10.5. In the event that a Limited Partner fails to pay any amounts owed to the Partnership pursuant to this Section 10.5 when due, the General Partner may, in its sole and absolute discretion, elect to make the payment to the Partnership on behalf of such defaulting Limited Partner, and in such event shall be deemed to have loaned such amount to such defaulting Limited Partner and shall succeed to all rights and remedies of the Partnership as against such defaulting Limited Partner (including, without limitation, the right to receive distributions and the holding of a security interest in such Limited Partner's Partnership Interest). Any amounts payable by a Limited

Partner hereunder shall bear interest at the base rate on corporate loans at large United States money center commercial banks, as published from time to time in the Wall Street Journal, plus two percentage points (but not higher than the maximum lawful rate) from the date such amount is due (i.e., 15 days after demand) until such amount is paid in full. Each Limited Partner shall take such

actions as the Partnership or the General Partner shall request in order to perfect or enforce the security interest created hereunder.

ARTICLE 11.
TRANSFERS AND WITHDRAWALS

Section 11.1. Transfer

A. The term "transfer," when used in this Article 11 with respect to a Partnership Interest, shall be deemed to refer to a transaction by which the General Partner purports to assign its General Partner Interest to another Person or by which a Limited Partner purports to assign its Limited Partnership Interest to another Person, and includes a sale, assignment, gift (outright or in trust), pledge, encumbrance, hypothecation, mortgage, exchange or any other disposition by law or otherwise. Except to the extent otherwise specified, the term "transfer" when used in this Article 11 does not include any exchange for Series D Preferred Shares pursuant to Section 17.8, any exchange for Series E Preferred Shares pursuant to Section 18.8, any exchange for Series F Preferred Shares pursuant to Section 19.8, any exchange for Series H Preferred Shares pursuant to Section 21.8, or any exchange for Series I Preferred Shares pursuant to Section 22.8. No part of the interest of a Limited Partner shall be subject to the claims of any creditor, any spouse for alimony or support, or to legal process, and may not be voluntarily or involuntarily alienated or encumbered, except as may be specifically provided for in this Agreement.

B. No Partnership Interest shall be transferred, in whole or in part, except in accordance with the terms and conditions set forth in this Article 11. Any transfer or purported transfer of a Partnership Interest not made in accordance with this Article 11 shall be null and void ab initio unless otherwise consented by the General Partner in its sole and absolute discretion.

Section 11.2. Transfer of General Partner's and Common Limited Partner's Partnership Interest

A. The General Partner shall not withdraw from the Partnership and shall not transfer all or any portion of its interest in the Partnership (whether by sale, statutory merger, consolidation, liquidation or otherwise). Any attempted transfer of the General Partner Interest shall be void ab initio. To the extent the prior sentence does not have the effect of preventing any such proposed transfer, the transfer shall cause the dissolution of the Partnership.

B. Except as otherwise provided in this Section 11.2.B, no Common Limited Partner shall withdraw from or transfer all or any portion of its interest in the Partnership (whether by sale, statutory merger, consolidation, liquidation or otherwise). Any attempted transfer of a Common Limited Partner Interest contrary to this Section 11.2.B shall be void ab initio. To the extent the prior sentence does not have the effect of preventing any such proposed transfer, the transfer shall cause the dissolution of the Partnership.

C. Notwithstanding Section 11.2.B, any Common Limited Partner other than the Operating Partnership shall be permitted to transfer, with the consent of the General Partner (which consent may be given or withheld in the General Partner's sole and absolute discretion), all or any portion of its Partnership Interest to the Operating Partnership.

Section 11.3. Preferred Limited Partners' Rights to Transfer

A. Any Preferred Limited Partner may, at any time without the consent of the General Partner, (i) transfer all or any portion of its Partnership Interest to the General Partner, (ii) transfer all or any portion of its Partnership Interest to an Affiliate controlled thereby or to an Immediate Family member, subject to the provisions of Section 11.6, (iii) transfer all or any portion of its Partnership Interest to a trust for the benefit of a charitable beneficiary or to a charitable foundation, subject to the provisions of Section 11.6 and (iv) subject to the provisions of Section 11.6, (a) pledge (a "Pledge") all or any portion of its Partnership Interest to a lending institution, which is not an Affiliate of such Preferred Limited Partner, as collateral or security for a bona fide loan or other extension of credit, or (b) transfer such pledged Partnership Interest to such lending institution in connection with the exercise of remedies under such loan or extension of credit. In addition, each Preferred Limited Partner or Assignee (resulting from a transfer made pursuant to clauses (i)-(iv) of the preceding sentence) shall have the right to transfer all or any portion of its Partnership Interest, subject to the provisions of Section 11.6, provided that any transfer of a Partnership Interest shall be made only to Qualified Transferees.

It is a condition to any transfer otherwise permitted hereunder that the transferee assumes by operation of law or express agreement all of the obligations of the transferor Preferred Limited Partner under this Agreement with respect to such transferred Partnership Interest and no such transfer (other than pursuant to a statutory merger or consolidation wherein all obligations and liabilities of the transferor Partner are assumed by a successor

corporation by operation of law) shall relieve the transferor Partner of its obligations under this Agreement without the approval of the General Partner, in its reasonable discretion. Notwithstanding the foregoing, any transferee of any transferred Partnership Interest shall be subject to any and all ownership limitations contained in the REIT Charter, which may limit or restrict such transferee's ability to exercise its Series D Redemption rights or the exchange rights set forth in Sections 17.5 or 17.8, respectively, its Series E Redemption rights or the exchange rights set forth in Sections 18.5 or 18.8, respectively, its Series F Redemption rights or the exchange rights set forth in Sections 19.5 or 19.8, respectively, its Series H Redemption rights or the exchange rights set forth in Sections 21.5 or 21.8, respectively, or its Series I Redemption rights or the exchange rights set forth in Sections 22.5 or 22.8, respectively, and to the representations set forth in Section 3.4.D. Any transferee, whether or not admitted as a Substituted Limited Partner, shall take subject to the obligations of the transferor hereunder. Unless admitted as a Substituted Limited Partner, no transferee, whether by a voluntary transfer, by operation of law or otherwise, shall have any rights hereunder, other than the rights of an Assignee as provided in Section 11.5.

B. If a Preferred Limited Partner is subject to Incapacity, the executor, administrator, trustee, committee, guardian, conservator, or receiver of such Limited Partner's estate shall have all the rights of a Preferred Limited Partner, but not more rights than those enjoyed by other Preferred Limited Partners, for the purpose of settling or managing the estate, and such power as the Incapacitated Preferred Limited Partner possessed to transfer all or any

part of his or its interest in the Partnership. The Incapacity of a Limited Partner, in and of itself, shall not dissolve or terminate the Partnership.

C. The General Partner may prohibit any transfer otherwise permitted under this Section 11.3 by a Preferred Limited Partner of his or her Partnership Units if, in the opinion of legal counsel to the Partnership, such transfer would require the filing of a registration statement under the Securities Act by the Partnership or would otherwise violate any Federal or state securities laws or regulations applicable to the Partnership or the Partnership Unit.

D. No transfer by a Preferred Limited Partner of his or her Partnership Units (including any Series D Redemption or exchange rights set forth in Sections 17.5 and 17.8, respectively, any Series E Redemption or exchange rights set forth in Sections 18.5 and 18.8, respectively, any Series F Redemption or exchange rights set forth in Sections 19.5 and 19.8, respectively, any Series H Redemption or exchange rights set forth in Sections 21.5 and 21.8, respectively, any Series I Redemption or exchange rights set forth in Sections 22.5 and 22.8, respectively, or any other acquisition of Common Units, Series D Preferred Units, Series E Preferred Units, Series F Preferred Units, Series H Preferred Units or Series I Preferred Units by the General Partner, AMB or the Partnership) may be made to any person if (i) in the opinion of legal counsel for the Partnership, it could result in the Partnership being treated as an association taxable as a corporation or (ii) absent the consent of the General Partner, which may be given or withheld in its sole and absolute discretion, such transfer could be treated as effectuated through an "established securities market" or a "secondary market (or the substantial equivalent thereof)" within the meaning of Section 7704 of the Code.

E. No transfer of any Preferred Partnership Units may be made to a lender to the Partnership or any Person who is related (within the meaning of Section 1.752-4(b) of the Regulations) to any lender to the Partnership whose loan constitutes a Nonrecourse Liability, without the consent of the General Partner, in its sole and absolute discretion; provided, that as a condition to such consent, the lender will be required to enter into an arrangement with the Partnership and the General Partner to redeem or exchange for the specified amount of Series D Preferred Shares, Series E Preferred Shares, Series F Preferred Shares, Series H Preferred Shares and/or Series I Preferred Shares (as the case may be) any Partnership Units in which a security interest is held simultaneously with the time at which such lender would be deemed to be a partner in the Partnership for purposes of allocating liabilities to such lender under Section 752 of the Code.

F. No Preferred Limited Partner may withdraw from the Partnership except as a result of transfer, Series D Redemption, Series E Redemption, Series F Redemption, Series H Redemption, Series I Redemption or exchange of all of its Partnership Units pursuant hereto.

Section 11.4. Substituted Limited Partners

A. Any Preferred Limited Partner shall have the right to substitute a transferee permitted by this Agreement as a Limited Partner in his or her place. The General Partner shall have the right to consent to the admission of a permitted transferee of the interest of any other Limited Partner, as a Substituted Limited Partner, pursuant to this Section 11.4, which consent may be given or withheld by the General Partner in its sole and absolute discretion.

The General Partner's failure or refusal to permit a transferee of any such interests to become a

Substituted Limited Partner shall not give rise to any cause of action against the Partnership or any Partner.

B. A transferee who has been admitted as a Substituted Limited Partner in accordance with this Article 11 shall have all the rights and powers and be subject to all the restrictions and liabilities of a Limited Partner under this Agreement. The admission of any transferee as a Substituted Limited Partner shall be subject to the transferee executing and delivering to the Partnership an acceptance of all of the terms and conditions of this Agreement (including, without limitation, the provisions of Section 2.4 and such other documents or instruments as may be required to effect the admission, each in form and substance satisfactory to the General Partner) and the acknowledgment by such transferee that each of the representations and warranties set forth in Section 3.4 are true and correct with respect to such transferee as of the date of the transfer of the Partnership Interest to such transferee and will continue to be true to the extent required by such representations and warranties.

C. Upon the admission of a Substituted Limited Partner, the General Partner shall amend Exhibit A to reflect the name, address, number of Partnership Units, and Percentage Interest of such Substituted Limited Partner and to eliminate or adjust, if necessary, the name, address and interest of the predecessor of such Substituted Limited Partner.

Section 11.5. Assignees

If the General Partner, with respect to a transferee requiring the General Partner's consent, does not consent, in its sole and absolute discretion, to the admission of any permitted transferee under Section 11.3 as a Substituted Limited Partner, as described in Section 11.4, such transferee shall be considered an Assignee for purposes of this Agreement. An Assignee shall be entitled to all the rights of an assignee of a limited partnership interest under the Act, including the right to receive distributions from the Partnership and the share of Net Income, Net Losses, gain and loss attributable to the Partnership Units assigned to such transferee, the rights to transfer the Partnership Units provided in this Article 11, the right of exchange for Series D Preferred Shares set forth in Section 17.8, the right of exchange for Series E Preferred Shares set forth in Section 18.8, the right of exchange for Series F Preferred Shares set forth in Section 19.8, the right of exchange for Series H Preferred Shares set forth in Section 21.8, and the right of exchange for Series I Preferred Shares set forth in Section 22.8, but shall not be deemed to be a holder of Partnership Units for any other purpose under this Agreement, and shall not be entitled to effect a Consent with respect to such Partnership Units on any matter presented to the Limited Partners for approval (such Consent remaining with the transferor Limited Partner). In the event any such transferee desires to make a further assignment of any such Partnership Units, such transferee shall be subject to all the provisions of this Article 11 to the same extent and in the same manner as any Limited Partner desiring to make an assignment of Partnership Units. Notwithstanding anything contained in this Agreement to the contrary, as a condition to becoming an Assignee, any prospective Assignee must first execute and deliver to the Partnership an acknowledgment that each of the representations and warranties set forth in Section 3.4 hereof are true and correct with respect to such prospective Assignee as of the date of the prospective assignment of the Partnership Interest to such prospective Assignee and will continue to be true to the extent required by such representations or warranties.

Section 11.6. General Provisions

A. No Limited Partner may withdraw from the Partnership other than as a result of (i) a transfer of all of such Limited Partner's Partnership Units as permitted in accordance with this Article 11 and the transferee(s) of such Units being admitted to the Partnership as a Substituted Limited Partner(s), (ii) pursuant to the Series D Redemption or exchange of all of such Limited Partner's Series D Preferred Units pursuant to Section 17.8, (iii) pursuant to the Series E Redemption or exchange of all of such Limited Partner's Series E Preferred Units pursuant to Section 18.8, (iv) pursuant to the Series F Redemption or exchange of all such Limited Partner's Series F Preferred Units pursuant to Section 19.8, (v) pursuant to the Series H Redemption or exchange of all such Limited Partner's Series H Preferred Units pursuant to Section 21.8, or (vi) pursuant to the Series I Redemption or exchange of all such Limited Partner's Series I Preferred Units pursuant to Section 22.8; provided further that in connection with any such redemption or exchange, the applicable Limited Partner thereafter owns no Partnership Interest.

B. Any Limited Partner who shall transfer all of such Limited Partner's Partnership Units in a transfer permitted pursuant to this Article 11

where such transferee was admitted as a Substituted Limited Partner or pursuant to the exercise of its rights of Series D Redemption or exchange of all of such Limited Partner's Series D Preferred Units pursuant to Section 17.8, pursuant to the exercise of its rights of Series E Redemption or exchange of all of such Limited Partner's Series E Preferred Units pursuant to Section 18.8, pursuant to the exercise of its rights of Series F Redemption or exchange of all of such Limited Partner's Series F Preferred Units pursuant to Section 19.8, pursuant to the exercise of its rights of Series H Redemption or exchange of all of such Limited Partner's Series H Preferred Units pursuant to Section 21.8, or pursuant to the exercise of its rights of Series I Redemption or exchange of all of such Limited Partner's Series I Preferred Units pursuant to Section 22.8, shall cease to be a Limited Partner; provided the Limited Partner owns no other Partnership Interest.

C. Transfers pursuant to this Article 11 may only be made effective on the last day of the month set forth on the written instrument of transfer, unless the General Partner otherwise agrees.

D. If any Partnership Interest is transferred, assigned or redeemed during any quarterly segment of the Partnership's fiscal year in compliance with the provisions of this Article 11 or transferred or redeemed pursuant to Sections 17.5, 18.5, 19.5, 21.5 or 22.5, on any day other than the first day of a Partnership Year, then Net Income, Net Losses, each item thereof and all other items attributable to such Partnership Interest for such fiscal year shall be divided and allocated between the transferor Partner and the transferee Partner by taking into account their varying interests during the fiscal year in accordance with Section 706(d) of the Code, using the interim closing of the books method. Except as otherwise required by Section 706(d) of the Code or as otherwise specified in this Agreement or as otherwise determined by the General Partner (to the extent consistent with Section 706(d) of the Code), solely for purposes of making such allocations, each of such items for the calendar month in which the transfer, assignment or redemption occurs shall be allocated among all the Partners and Assignees in a manner determined by the General Partner in its sole discretion.

E. In addition to any other restrictions on transfer herein contained, including without limitation the provisions of this Article 11 and Section 2.6, in no event may any transfer or assignment of a Partnership Interest by any Partner (including by way of a Series D Redemption or exchange for Series D Preferred Shares, a Series E Redemption or exchange for Series E Preferred Shares, a Series F Redemption or exchange for Series F Preferred Shares, a Series H Redemption or exchange for Series H Preferred Shares, a Series I Redemption or exchange for Series I Preferred Shares or any other acquisition of Common Units, Series D Preferred Units, Series E Preferred Units, Series F Preferred Units, Series H Preferred Units or Series I Preferred Units by the Partnership, AMB or the General Partner) be made (i) to any person or entity who lacks the legal right, power or capacity to own a Partnership Interest; (ii) in violation of applicable law; (iii) except with the consent of the General Partner, which may be given or withheld in its sole and absolute discretion, of any component portion of a Partnership Interest, such as the Capital Account, or rights to distributions, separate and apart from all other components of a Partnership Interest; (iv) except with the consent of the General Partner, which may be given or withheld in its sole and absolute discretion, if in the opinion of legal counsel to the Partnership such transfer would cause a termination of the Partnership for Federal or state income tax purposes; (v) if in the opinion of counsel to the Partnership such transfer would cause the Partnership to cease to be classified as a partnership for Federal or state income tax purposes; (vi) if such transfer would cause the Partnership to become, with respect to any employee benefit plan subject to Title I of ERISA, a "party-in-interest" (as defined in Section 3(14) of ERISA) or a "disqualified person" (as defined in Section 4975(c) of the Code); (vii) if such transfer would, in the opinion of counsel to the Partnership, cause any portion of the assets of the Partnership to constitute assets of any employee benefit plan pursuant to Department of Labor Regulations Section 2510.2-101; (viii) if such transfer requires the registration of such Partnership Interest or requires the registration of the exchange of such Partnership Interests for any capital stock pursuant to any applicable Federal or state securities laws; (ix) except with the consent of the General Partner, which may be given or withheld in its sole and absolute discretion, if such transfer is effectuated through an "established securities market" or a "secondary market" (or the substantial equivalent thereof) within the meaning of Section 7704 of the Code or such transfer causes the Partnership to become a "Publicly Traded Partnership," as such term is defined in Sections 469(k)(2) or 7704(b) of the Code; (x) if such transfer subjects the Partnership to be regulated under the Investment Company Act of 1940, the Investment Advisors Act of 1940 or the Employee Retirement Income Security Act of 1974, each as amended; (xi) if the transferee or assignee of such Partnership Interest is unable to make the representations set forth in Section 3.4.D or such transfer could otherwise adversely affect the ability of AMB, in its capacity as the sole stockholder of General Partner and the sole general partner of the Operating Partnership, to remain qualified as a REIT; or (xii) if, except with the consent of the General Partner, which may be given or withheld in its sole and absolute discretion,

such transfer would subject AMB to any additional taxes under Section 857 or Section 4981 of the Code.

F. The General Partner shall monitor the transfers of interests in the Partnership (including any acquisition of Series D Preferred Units, Series E Preferred Units, Series F Preferred Units, Series H Preferred Units or Series I Preferred Units by the Partnership, AMB or the General Partner) to determine (i) if such interests are being traded on an "established securities market" or a "secondary market (or the substantial equivalent thereof)" within the meaning of Section 7704 of the Code and (ii) whether such transfers of interests would result in the Partnership being unable to qualify for at least one of the "safe harbors" set forth in Regulations Section 1.7704-1 (or such other applicable guidance subsequently published by the

IRS setting forth safe harbors under which interests will not be treated as "readily tradable on a secondary market (or the substantial equivalent thereof)" within the meaning of Section 7704 of the Code) (the "Safe Harbors"). The General Partner shall have authority (but shall not be required to) to take any steps it determines are necessary or appropriate in its sole and absolute discretion to prevent any trading of interests which could cause the Partnership to become a "publicly traded partnership," or any recognition by the Partnership of such transfers, or to insure that at least one of the Safe Harbors is met.

ARTICLE 12.
ADMISSION OF PARTNERS

Section 12.1. Admission of Successor General Partner

A successor to all of the General Partner's General Partner Interest pursuant to Section 11.2 who is proposed to be admitted as a successor General Partner shall be admitted to the Partnership as the General Partner, effective upon such transfer. Any such transferee shall carry on the business of the Partnership without dissolution. In each case, the admission shall be subject to the successor General Partner executing and delivering to the Partnership an acceptance of all of the terms and conditions of this Agreement and such other documents or instruments as may be required to effect the admission. In the case of such admission on any day other than the first day of a Partnership Year, all items attributable to the General Partner Interest for such Partnership Year shall be allocated between the transferring General Partner and such successor as provided in Article 11.

Section 12.2. Admission of Additional Limited Partners

A. A Person who makes a Capital Contribution to the Partnership in accordance with this Agreement shall be admitted to the Partnership as an Additional Limited Partner only upon furnishing to the General Partner (i) evidence of acceptance in form satisfactory to the General Partner of all of the terms and conditions of this Agreement, including, without limitation, the power of attorney granted in Section 2.4 and (ii) such other documents or instruments as may be required in the discretion of the General Partner in order to effect such Person's admission as an Additional Limited Partner.

B. Notwithstanding anything to the contrary in this Section 12.2, no Person shall be admitted as an Additional Limited Partner without the consent of the General Partner, which consent may be given or withheld in the General Partner's sole and absolute discretion. The admission of any Person as an Additional Limited Partner shall become effective on the date upon which the name of such Person is recorded on the books and records of the Partnership, following the receipt of the Capital Contribution in respect of such Limited Partner, the documents set forth in this Section 12.2.A and the consent of the General Partner to such admission. If any Additional Limited Partner is admitted to the Partnership on any day other than the first day of a Partnership Year, then Net Income, Net Losses, each item thereof and all other items allocable among Partners and Assignees for such Partnership Year shall be allocated among such Limited Partner and all other Partners and Assignees by taking into account their varying interests during the Partnership Year in accordance with Section 706(d) of the Code, using the interim closing of the books method. Solely for purposes of making such allocations, each of such items for the calendar month in which an admission of an Additional Limited

Partner occurs shall be allocated among all the Partners and Assignees, including such Additional Limited Partner, in a manner determined by the General Partner in its sole discretion.

Section 12.3. Amendment of Agreement and Certificate of Limited Partnership

For the admission to the Partnership of any Partner, the General Partner shall take all steps necessary and appropriate under the Act to amend the records of the Partnership and, if necessary, to prepare as soon as

practical an amendment of this Agreement (including an amendment of Exhibit A) and, if required by law, shall prepare and file an amendment to the Certificate and may for this purpose exercise the power of attorney granted pursuant to Section 2.4.

ARTICLE 13.
DISSOLUTION AND LIQUIDATION

Section 13.1. Dissolution

The Partnership shall not be dissolved by the admission of Substituted Limited Partners or Additional Limited Partners or by the admission of a successor General Partner in accordance with the terms of this Agreement. Upon the withdrawal of the General Partner, any successor General Partner (selected as described in Section 13.1.B below) shall continue the business of the Partnership. The Partnership shall dissolve, and its affairs shall be wound up, upon the first to occur of any of the following ("Liquidating Events"):

A. the expiration of its term as provided in Section 2.5;

B. an event of withdrawal of the General Partner, as defined in the Act, unless, within ninety (90) days after the withdrawal, all of the remaining Common Limited Partners agree in writing, in their sole and absolute discretion, to continue the business of the Partnership and to the appointment, effective as of the date of withdrawal, of a substitute General Partner;

C. prior to October 15, 2096, an election to dissolve the Partnership made by the General Partner with the consent of Limited Partners who hold ninety percent (90%) of the outstanding Units held by Limited Partners;

D. subject to the provisions of Section 7.3.C, an election to dissolve the Partnership made by the General Partner in its sole and absolute discretion;

E. entry of a decree of judicial dissolution of the Partnership pursuant to the provisions of the Act;

F. the sale or disposition of all or substantially all of the assets and properties of the Partnership;

G. a final and non-appealable judgment is entered by a court of competent jurisdiction ruling that the General Partner is bankrupt or insolvent, or a final and non-appealable order for relief is entered by a court with appropriate jurisdiction against the General Partner, in each case under any Federal or state bankruptcy or insolvency laws as now or hereafter in effect,

unless prior to or at the time of the entry of such order or judgment a Majority in Interest of the Limited Partners remaining consent in writing to continue the business of the Partnership and to the appointment, effective as of a date prior to the date of such order or judgment, of a substitute General Partner.

Section 13.2. Winding Up

A. Upon the occurrence of a Liquidating Event, the Partnership shall continue solely for the purposes of winding up its affairs in an orderly manner, liquidating its assets, and satisfying the claims of its creditors and Partners. No Partner shall take any action that is inconsistent with, or not necessary to or appropriate for, the winding up of the Partnership's business and affairs. The General Partner (or, in the event there is no remaining General Partner, any Person elected by a Majority in Interest of the Limited Partners (the "Liquidator")) shall be responsible for overseeing the winding up and dissolution of the Partnership and shall take full account of the Partnership's liabilities and assets and the Partnership property shall be liquidated as promptly as is consistent with obtaining the fair value thereof, and the proceeds therefrom (which may, to the extent determined by the General Partner, include shares of stock of the General Partner) shall be applied and distributed in the following order:

(i) First, to the payment and discharge of all of the Partnership's debts and liabilities to creditors other than the Partners;

(ii) Second, to the payment and discharge of all of the Partnership's debts and liabilities to the General Partner;

(iii) Third, to the payment and discharge of all of the Partnership's debts and liabilities to the other Partners; and

(iv) The balance, if any, to the Partners in accordance with their Capital Account balances determined after giving effect to all contributions and distributions for all periods, and after taking into account all Capital Account adjustments for the

Partnership taxable year during which the liquidation occurs (other than those made as a result of the liquidating distribution set forth in this Section 13.2.A(iv)).

The General Partner shall not receive any additional compensation for any services performed pursuant to this Article 13 other than reimbursement of its expenses as provided in Section 7.4.

B. Notwithstanding the provisions of Section 13.2.A which require liquidation of the assets of the Partnership, but subject to the order of priorities set forth therein, if prior to or upon dissolution of the Partnership the Liquidator determines that an immediate sale of part or all of the Partnership's assets would be impractical or would cause undue loss to the Partners, the Liquidator may, in its sole and absolute discretion, defer for a reasonable time the liquidation of any assets except those necessary to satisfy liabilities of the Partnership (including to those Partners as creditors) and/or distribute to the Partners, in lieu of cash, as tenants in common and in accordance with the provisions of Section 13.2.A, undivided interests in such Partnership assets as the Liquidator deems not suitable for liquidation. Any such distributions in kind shall be made only if, in the good faith judgment of the Liquidator, such distributions in kind are in the best interest of the Partners, and shall be subject to such conditions relating to the

disposition and management of such properties as the Liquidator deems reasonable and equitable and to any agreements governing the operation of such properties at such time. The Liquidator shall determine the fair market value of any property distributed in kind using such reasonable method of valuation as it may adopt.

C. The Partnership shall be terminated when any notes received in connection with any such sale or disposition referenced in Section 13.1.E above, or in connection with the liquidation of the Partnership have been paid and all of the cash or property available for application and distribution under this Agreement have been applied and distributed in accordance with this Agreement.

Section 13.3. Compliance with Timing Requirements of Regulations

In the event the Partnership is "liquidated" within the meaning of Regulations Section 1.704-1(b)(2)(ii)(g), distributions shall be made pursuant to this Article 13 to the General Partner and Limited Partners who have positive Capital Accounts in compliance with Regulations Section 1.704-1(b)(2)(ii)(b)(2). If any Partner has a deficit balance in his or her Capital Account (after giving effect to all contributions, distributions and allocations for the taxable years, including the year during which such liquidation occurs), such Partner shall have no obligation to make any contribution to the capital of the Partnership with respect to such deficit, and such deficit shall not be considered a debt owed to the Partnership or to any other Person for any purpose whatsoever, except to the extent otherwise agreed to by such Partner and the General Partner. In the discretion of the Liquidator or the General Partner, a pro rata portion of the distributions that would otherwise be made to the General Partner and Limited Partners pursuant to this Article 13 may be:

A. distributed to a trust established for the benefit of the General Partner and Limited Partners for the purposes of liquidating Partnership assets, collecting amounts owed to the Partnership, and paying any contingent or unforeseen liabilities or obligations of the Partnership or of the General Partner arising out of or in connection with the Partnership. The assets of any such trust shall be distributed to the General Partner and Limited Partners from time to time, in the reasonable discretion of the Liquidator or the General Partner, in the same proportions and the amount distributed to such trust by the Partnership would otherwise have been distributed to the General Partner and Limited Partners pursuant to this Agreement; or

B. withheld to establish any reserves deemed necessary or appropriate for any contingent or unforeseen liabilities or obligations of the Partnership; and to reflect the unrealized portion of any installment obligations owed to the Partnership; provided that, such withheld amounts shall be distributed to the General Partner and Limited Partners as soon as practicable.

Section 13.4. Deemed Distribution and Recontribution

Notwithstanding any other provision of this Article 13, in the event the Partnership is liquidated within the meaning of Regulations Section 1.704-1(b)(2)(ii)(g) but no Liquidating Event has occurred, the Partnership's property shall not be liquidated, the Partnership's liabilities shall not be paid or discharged, and the Partnership's affairs shall not be wound up. Instead, the Partnership shall be deemed to have distributed the Partnership property in kind to the General Partner and Limited Partners, who shall be deemed to have assumed and

taken such property subject to all Partnership liabilities, all in accordance with their respective Capital Accounts. Immediately thereafter, the General Partner and Limited Partners shall be deemed to have recontributed the Partnership property in kind to the Partnership, which shall be deemed to have assumed and taken such property subject to all such liabilities.

Section 13.5. Rights of Limited Partners

Except as otherwise provided in this Agreement, each Limited Partner shall look solely to the assets of the Partnership for the return of his Capital Contribution and shall have no right or power to demand or receive property from the General Partner. Except as expressly set forth herein with respect to the rights, priorities and preferences of the Preferred Limited Partners holding any series of Preferred Units, no Limited Partner shall have priority over any other Limited Partner as to the return of his Capital Contributions, distributions or allocations.

Section 13.6. Notice of Dissolution

In the event a Liquidating Event occurs or an event occurs that would, but for provisions of Section 13.1, result in a dissolution of the Partnership, the General Partner shall, within thirty (30) days thereafter, provide written notice thereof to each of the Partners and to all other parties with whom the Partnership regularly conducts business (as determined in the discretion of the General Partner) and shall publish notice thereof in a newspaper of general circulation in each place in which the Partnership regularly conducts business (as determined in the discretion of the General Partner).

Section 13.7. Cancellation of Certificate of Limited Partnership

Upon the completion of the liquidation of the Partnership cash and property as provided in Section 13.2, the Partnership shall be terminated and the Certificate and all qualifications of the Partnership as a foreign limited partnership in jurisdictions other than the State of Delaware shall be canceled and such other actions as may be necessary to terminate the Partnership shall be taken.

Section 13.8. Reasonable Time for Winding-Up

A reasonable time shall be allowed for the orderly winding-up of the business and affairs of the Partnership and the liquidation of its assets pursuant to Section 13.2, in order to minimize any losses otherwise attendant upon such winding-up, and the provisions of this Agreement shall remain in effect between the Partners during the period of liquidation.

Section 13.9. Waiver of Partition

Each Partner hereby waives any right to partition of the Partnership property.

ARTICLE 14.
AMENDMENT OF PARTNERSHIP AGREEMENT; CONSENTS

Section 14.1. Amendments

A. The actions requiring consent or approval of the Partners or of the Limited Partners pursuant to this Agreement, including Sections 7.3, 17.6, 18.6, 19.6, 21.6 and 22.6, or otherwise pursuant to applicable law, are subject to the procedures in this Article 14.

B. Amendments to this Agreement requiring the consent or approval of Limited Partners may be proposed by the General Partner or by Limited Partners holding twenty-five percent (25%) or more of the Partnership Interests held by Limited Partners entitled to consent to or approve such matter. Following such proposal, the General Partner shall submit any proposed amendment to the Partners or to the Limited Partners entitled to consent to or approve such amendment, as applicable. The General Partner shall seek the written consent or approval of the Partners or the Limited Partners entitled to consent to or approve the proposed amendment or shall call a meeting to vote thereon and to transact any other business that it may deem appropriate. For purposes of obtaining a written consent, the General Partner may require a response within a reasonable specified time, but not less than fifteen (15) days, and failure to respond in such time period shall constitute a consent which is consistent with the General Partner's recommendation (if so recommended); provided that, an action shall become effective at such time as requisite consents are received even if prior to such specified time.

Section 14.2. Action by the Partners

A. Meetings of the Partners may be called by the General Partner and shall be called upon the receipt by the General Partner of a written request by Limited Partners holding twenty-five percent (25%) or more of the Partnership Interests held by the Limited Partners that are entitled to vote on the matters proposed to be voted on at such meeting. The call shall state the nature of the business to be transacted. Notice of any such meeting shall be given to all Partners not less than seven days nor more than thirty (30) days prior to the date of such meeting. Partners may vote in person or by proxy at such meeting. Whenever the vote of the Percentage Interests of the Partners, or the Consent of the Partners or Consent of the Limited Partners is permitted or required under this Agreement, such vote or Consent may be given at a meeting of Partners or may be given in accordance with the procedure prescribed in Section 14.1.

B. Any action required or permitted to be taken at a meeting of the Partners may be taken without a meeting if a written consent setting forth the action so taken is signed by the Percentage Interests as is expressly required by this Agreement for the action in question. Such consent may be in one instrument or in several instruments, and shall have the same force and effect as a vote of the Percentage Interests of the Partners (expressly required by this Agreement). Such consent shall be filed with the General Partner. An action so taken shall be deemed to have been taken at a meeting held on the effective date so certified.

C. Each Limited Partner may authorize any Person or Persons to act for him by proxy on all matters in which a Limited Partner is entitled to participate, including waiving notice of any meeting, or voting or participating at a meeting. Every proxy must be signed by the Limited Partner or his attorney-in-fact. No proxy shall be valid after the expiration of eleven

(11) months from the date thereof unless otherwise provided in the proxy. Every proxy shall be revocable at the pleasure of the Limited Partner executing it.

D. Each meeting of Partners shall be conducted by the General Partner or such other Person as the General Partner may appoint pursuant to such rules for the conduct of the meeting as the General Partner or such other Person deems appropriate.

E. Except as otherwise expressly provided, on matters on which Limited Partners are entitled to vote, each Limited Partner shall have a vote equal to the number of Partnership Units held.

ARTICLE 15.
GENERAL PROVISIONS

Section 15.1. Addresses and Notice

Any notice, demand, request or report required or permitted to be given or made to a Partner or Assignee under this Agreement shall be in writing and shall be deemed given or made when delivered in person or when sent by certified first class United States mail, nationally recognized overnight delivery service or facsimile transmission to the Partner or Assignee at the address set forth in Exhibit A or such other address as the Partners shall notify the General Partner in writing.

Section 15.2. Titles and Captions

All article or section titles or captions in this Agreement are for convenience only. They shall not be deemed part of this Agreement and in no way define, limit, extend or describe the scope or intent of any provisions hereof. Except as specifically provided otherwise, references to "Articles" and "Sections" are to Articles and Sections of this Agreement.

Section 15.3. Pronouns and Plurals

Whenever the context may require, any pronoun used in this Agreement shall include the corresponding masculine, feminine or neuter forms, and the singular form of nouns, pronouns and verbs shall include the plural and vice versa.

Section 15.4. Further Action

The parties shall execute and deliver all documents, provide all information and take or refrain from taking action as may be necessary or appropriate to achieve the purposes of this Agreement.

Section 15.5. Binding Effect

This Agreement shall be binding upon and inure to the benefit of the parties hereto and their heirs, executors, administrators, successors, legal representatives and permitted assigns.

Section 15.6. Creditors

Other than as expressly set forth herein with respect to Indemnitees, none of the provisions of this Agreement shall be for the benefit of, or shall be enforceable by, any creditor of the Partnership.

Section 15.7. Waiver

No failure or delay by any party to insist upon the strict performance of any covenant, duty, agreement or condition of this Agreement or to exercise any right or remedy consequent upon any breach thereof shall constitute waiver of any such breach or any other covenant, duty, agreement or condition.

Section 15.8. Counterparts

This Agreement may be executed in counterparts, all of which together shall constitute one agreement binding on all the parties hereto, notwithstanding that all such parties are not signatories to the original or the same counterpart. Each party shall become bound by this Agreement immediately upon affixing its signature hereto.

Section 15.9. Applicable Law

This Agreement shall be construed in accordance with and governed by the laws of the State of Delaware, without regard to the principles of conflicts of law.

Section 15.10. Invalidity of Provisions

If any provision of this Agreement is or becomes invalid, illegal or unenforceable in any respect, the validity, legality and enforceability of the remaining provisions contained herein shall not be affected thereby.

Section 15.11. Entire Agreement

This Agreement (together with the agreements listed on Exhibit H hereto as to rights and obligations in respect of the Units held by the Limited Partners who are parties thereto, or their permitted transferees) contains the entire understanding and agreement among the Partners with respect to the subject matter hereof and supersedes any other prior written or oral understandings or agreements among them with respect thereto.

Section 15.12. No Rights as Stockholders

Nothing contained in this Agreement shall be construed as conferring upon the holders of Partnership Units any rights whatsoever as stockholders of the General Partner, including without limitation any right to receive dividends or other distributions made to stockholders of the General Partner or to vote or to consent or to receive notice as stockholders in respect of any meeting of stockholders for the election of directors of the General Partner or any other matter.

ARTICLE 16.
INTENTIONALLY OMITTED

ARTICLE 17.
SERIES D PREFERRED UNITS

Section 17.1. Designation and Number

A series of Partnership Units in the Partnership designated as the 7.75% Series D Cumulative Redeemable Preferred Units (the "Series D Preferred Units") is hereby established. The number of Series D Preferred Units shall be 1,595,337.

Section 17.2. Ranking

The Series D Preferred Units shall, with respect to distribution rights and rights upon voluntary or involuntary liquidation, winding up or dissolution of the Partnership, rank (i) senior to the Common Units and to all Partnership Units the terms of which provide that such Partnership Units shall rank junior to the Series D Preferred Units; (ii) on a parity with all other Parity Preferred Units; and (iii) junior to all Partnership Units which rank senior to the Series D Preferred Units.

Section 17.3. Distributions

A. Payment of Distributions. Subject to the rights of holders of Parity Preferred Units as to the payment of distributions (including pursuant to Sections 5.1, 18.3A, 19.3A, 21.3A and 22.3A hereof), holders of Series D

Preferred Units will be entitled to receive, when, as and if declared by the Partnership acting through the General Partner, out of Available Cash, cumulative preferential cash distributions in an amount equal to the Series D Priority Return. Such distributions will be payable (A) quarterly (such quarterly periods for purposes of payment and accrual will be the quarterly periods ending on the dates specified in this sentence and not calendar year quarters) in arrears, on the 25th day of March, June, September and December of each year and (B) in the event of (i) an exchange of Series D Preferred Units into Series D Preferred Shares, or (ii) a redemption of Series D Preferred Units, on the exchange date or redemption date, as applicable (each a "Series D Preferred Unit Distribution Payment Date"), commencing on the first of such payment dates to occur following their original date of issuance. If any date on which distributions are to be made on the Series D Preferred Units is not a Business Day, then payment of the distribution to be made on such date will be made on the next succeeding day that is a Business Day (and without any interest or other payment in respect of any such delay) except that, if such Business Day is in the next succeeding calendar year, such payment shall be made on the immediately preceding Business Day, in each case with the same force and effect as if made on such date. Distributions on the Series D Preferred Units will be made to the holders of record of the Series D Preferred Units on the relevant record dates, which will be fifteen (15) days prior to the relevant Series D Preferred Unit Distribution Payment Date (the "Series D Preferred Unit Partnership Record Date"). For purposes of clarifying the relative distribution priority rights among the Series I Preferred Units, Series H Preferred Units, the Series F Preferred Units, the Series E Preferred Units and the Series D Preferred Units, the payment of distributions with respect to a series of such Preferred Units prior to the payment of

distributions with respect to another such series of Preferred Units, solely as a result of the distribution payment dates with respect to a series of Preferred Units occurring on a different date from another series of Preferred Units, shall not be deemed to create a priority in favor of one series of Preferred Units over any other series of Preferred Units.

B. Distributions Cumulative. Notwithstanding the foregoing, distributions on the Series D Preferred Units will accrue whether or not the terms and provisions of any agreement of the Partnership at any time prohibit the current payment of distributions, whether or not the Partnership has earnings, whether or not there are funds legally available for the payment of such of such distributions and whether or not such distributions are authorized. Accrued but unpaid distributions on the Series D Preferred Units will accumulate as of the Preferred Unit Distribution Payment Date on which they first become payable.

C. Priority as to Distributions. (i) So long as any Series D Preferred Units are outstanding, no distribution of cash or other property shall be authorized, declared, paid or set apart for payment on or with respect to any class or series of Partnership Interest represented by Junior Units, nor shall any Junior Units or Parity Preferred Units be redeemed, purchased or otherwise acquired for any consideration (or any monies be paid to or made available for a sinking fund for the redemption of any such Junior Units or Parity Preferred Units) by the Partnership (except by conversion into or exchange for other Junior Units or Parity Preferred Units, as the case may be) unless, in each case, full cumulative distributions have been or contemporaneously are authorized and paid or authorized and a sum sufficient for the payment thereof set apart for such payment on the Series D Preferred Units and all classes and series of outstanding Parity Preferred Units for all distribution periods. The foregoing sentence will not prohibit (a) distributions payable solely in Junior Units, (b) the exchange of Junior Units or Parity Preferred Units into Partnership Interests of the Partnership ranking junior to the Series D Preferred Units as to distributions and upon voluntary and involuntary liquidation, dissolution or winding up of the Partnership, or (c) distributions necessary to enable the Operating Partnership to redeem partnership interests corresponding to Series D Preferred Shares and any Parity Preferred Stock with respect to distributions or Junior Stock to be purchased by AMB pursuant to the REIT Charter to preserve AMB's status as a REIT; provided that such redemption shall be upon the same terms as the corresponding stock purchase pursuant to the REIT Charter.

(ii) So long as distributions have not been paid in full (or a sum sufficient for such full payment is not so set apart) upon the Series D Preferred Units and any other Parity Preferred Units, all distributions authorized and declared on the Series D Preferred Units and all classes or series of outstanding Parity Preferred Units shall be authorized and declared pro rata so that the amount of distributions authorized and declared per Series D Preferred Unit and such other classes or series of Parity Preferred Units shall in all cases bear to each other the same ratio that accrued distributions per Series D Preferred Unit and such other classes or series of Parity Preferred Units (which shall not include any accumulation in respect of unpaid distributions for prior distribution periods if such class or series of Parity Preferred Units do not have cumulative distribution rights) bear to each other. No interest, or sum of money in lieu of interest, shall be payable in respect of

any distributions or payments on Series D Preferred Units which may be in arrears.

(iii) Notwithstanding anything to the contrary set forth herein, distributions on Partnership Interests held by either (a) the General Partner, (b) the Operating Partnership or any

other holder of Partnership Interests in the Partnership, in each case ranking junior to or on parity with the Series D Preferred Units may be made, without preserving the priority of distributions described in Sections 17.3.C(i) and (ii), but only to the extent such distributions are required to preserve the REIT status of AMB, in its capacity as sole general partner of the Operating Partnership and as sole stockholder of the General Partner, and in the case of any holder other than the General Partner only to the extent required by the Partnership Agreement; provided, that the Partnership shall not be disproportionately burdened by this provision relative to the cash flow generated by other assets owned directly or indirectly by AMB.

D. No Further Rights. Holders of Series D Preferred Units shall not be entitled to any distributions, whether payable in cash, other property or otherwise, in excess of the full cumulative distributions described herein.

Section 17.4. Liquidation Proceeds

A. Distributions. Upon voluntary or involuntary liquidation, dissolution or winding-up of the Partnership, distributions on the Series D Preferred Units shall be made in accordance with Article 13 of this Agreement.

B. Notice. Written notice of any such voluntary or involuntary liquidation, dissolution or winding-up of the Partnership, stating the payment date or dates when, and the place or places where, the amounts distributable in such circumstances shall be payable, shall be given by the General Partner pursuant to Section 13.6 hereof.

C. No Further Rights. After payment of the full amount of the liquidating distributions to which they are entitled, Holders of Series D Preferred Units will have no right or claim to any of the remaining assets of the Partnership.

D. Consolidation, Merger or Certain Other Transactions. None of a consolidation or merger of the Partnership with or into another entity, a merger of another entity with or into the Partnership, or a sale, lease, transfer or conveyance of all or substantially all of the Partnership's property or business shall be considered a liquidation, dissolution or winding up of the Partnership.

Section 17.5. Series D Redemption

A. Series D Redemption. The Series D Preferred Units may not be redeemed prior to May 5, 2004. On or after such date, the Partnership shall have the right to redeem the Series D Preferred Units, in whole or in part, at any time or from time to time, upon not less than 30 nor more than 60 days' written notice, at a redemption price, payable in cash (a "Series D Redemption"), equal to the Capital Account balance of the holder of Series D Preferred Units (the "Series D Redemption Price"); provided, however, that no redemption pursuant to this Section 17.5 will be permitted if the Series D Redemption Price does not equal or exceed the original Capital Contribution of such holder plus the cumulative Series D Priority Return to the redemption date to the extent not previously distributed. If fewer than all of the outstanding Series D Preferred Units are to be redeemed, the Series D Preferred Units to be redeemed shall be selected pro rata (as nearly as practicable without creating fractional units).

B. Limitation on Series D Redemption. (i) The Series D Redemption Price of the Series D Preferred Units (other than the portion thereof consisting of accumulated but unpaid distributions) is payable solely out of the sale proceeds of capital stock of AMB, which will be contributed by AMB to the General Partner or the Operating Partnership and which in turn will be contributed by the General Partner or the Operating Partnership to the Partnership as an additional capital contribution, or out of the sale of limited partner interests in the Partnership or the Operating Partnership and from no other source. For purposes of the preceding sentence, "capital stock" means any equity securities (including Common Stock and Preferred Stock (as such terms are defined in the REIT Charter)), depository shares, interests, participation or other ownership interests (however designated) and any rights (other than debt securities convertible into or exchangeable for equity securities) or options to purchase any of the foregoing.

(ii) The Partnership may not redeem fewer than all of the outstanding Series D Preferred Units unless all accumulated and unpaid distributions have been paid on all Series D Preferred Units for all quarterly distribution periods

terminating on or prior to the date of redemption.

C. Procedures for Series D Redemption. (i) Notice of redemption will be (i) faxed, and (ii) mailed by the Partnership, by certified mail, postage prepaid, not less than 30 nor more than 60 days prior to the redemption date, addressed to the respective holders of record of the Series D Preferred Units at their respective addresses as they appear on the records of the Partnership. No failure to give or defect in such notice shall affect the validity of the proceedings for the redemption of any Series D Preferred Units except as to the holder to whom such notice was defective or not given. In addition to any information required by law, each such notice shall state: (a) the redemption date, (b) the Series D Redemption Price, (c) the aggregate number of Series D Preferred Units to be redeemed and if fewer than all of the outstanding Series D Preferred Units are to be redeemed, the number of Series D Preferred Units to be redeemed held by such holder, which number shall equal such holder's pro rata share (based on the percentage of the aggregate number of outstanding Series D Preferred Units that the total number of Series D Preferred Units held by such holder represents) of the aggregate number of Series D Preferred Units to be redeemed, (d) the place or places where such Series D Preferred Units are to be surrendered for payment of the Series D Redemption Price, (e) that distributions on the Series D Preferred Units to be redeemed will cease to accumulate on such redemption date and (f) that payment of the Series D Redemption Price will be made upon presentation and surrender of such Series D Preferred Units.

(ii) If the Partnership gives a notice of redemption in respect of Series D Preferred Units (which notice will be irrevocable) then, by 12:00 noon, New York City time, on the redemption date, the Partnership will deposit irrevocably in trust for the benefit of the Series D Preferred Units being redeemed funds sufficient to pay the applicable Series D Redemption Price and will give irrevocable instructions and authority to pay such Series D Redemption Price to the holders of the Series D Preferred Units upon surrender of the Series D Preferred Units by such holders at the place designated in the notice of redemption. On and after the date of redemption, distributions will cease to accumulate on the Series D Preferred Units or portions thereof called for redemption, unless the Partnership defaults in the payment thereof. If any date fixed for redemption of Series D Preferred Units is not a Business Day, then payment of the Series D Redemption Price payable on such date will be made on the next succeeding day that is a Business Day (and without any interest or other payment in respect of any such delay) except

that, if such Business Day falls in the next calendar year, such payment will be made on the immediately preceding Business Day, in each case with the same force and effect as if made on such date fixed for redemption. If payment of the Series D Redemption Price is improperly withheld or refused and not paid by the Partnership, distributions on such Series D Preferred Units will continue to accumulate from the original redemption date to the date of payment, in which case the actual payment date will be considered the date fixed for redemption for purposes of calculating the applicable Series D Redemption Price.

Section 17.6. Voting and Certain Management Rights

A. General. Holders of the Series D Preferred Units will not have any voting rights or right to consent to any matter requiring the consent or approval of the Limited Partners, except as set forth below and in Section 7.3.E.

B. Certain Voting Rights. So long as any Series D Preferred Units remains outstanding, the Partnership shall not, without the affirmative vote of the holders of at least two-thirds of the Series D Preferred Units outstanding at the time (i) authorize or create, or increase the authorized or issued amount of, any class or series of Partnership Interests ranking prior to the Series D Preferred Units with respect to payment of distributions or rights upon liquidation, dissolution or winding-up or reclassify any Partnership Interests of the Partnership into any such Partnership Interest, or create, authorize or issue any obligations or security convertible into or evidencing the right to purchase any such Partnership Interests, (ii) authorize or create, or increase the authorized or issued amount of any Parity Preferred Units or reclassify any Partnership Interest of the Partnership into any such Partnership Interest or create, authorize or issue any obligations or security convertible into or evidencing the right to purchase any such Partnership Interests but only to the extent such Parity Preferred Units are issued to an affiliate of the Partnership, other than AMB or the Operating Partnership to the extent the issuance of such interests was to allow AMB or the Operating Partnership to issue corresponding preferred stock or preferred interests to persons who are not affiliates of the Partnership (other than AMB to the extent AMB issues corresponding preferred stock to persons who are not affiliates of the Partnership or the Operating Partnership) or (iii) either consolidate, merge into or with, or convey, transfer or lease its assets substantially as an entirety to, any corporation or other entity or amend, alter or repeal the provisions of the Partnership Agreement (including, without limitation, this Article 17 and Section 11.2), whether by merger, consolidation or otherwise, in each case in a manner that would materially and adversely affect the powers,

special rights, preferences, privileges or voting power of the Series D Preferred Units or the holders thereof; provided, however, that with respect to the occurrence of any event set forth in (iii) above, so long as (a) the Partnership is the surviving entity and the Series D Preferred Units remain outstanding with the terms thereof unchanged, or (b) the resulting, surviving or transferee entity is a partnership, limited liability company or other pass-through entity organized under the laws of any state and substitutes the Series D Preferred Units for other interests in such entity having substantially the same terms and rights as the Series D Preferred Units, including with respect to distributions, voting rights and rights upon liquidation, dissolution or winding-up, then the occurrence of any such event shall not be deemed to materially and adversely affect such rights, privileges or voting powers of the holders of the Series D Preferred Units; and provided further, that any increase in the amount of Partnership Interests or the creation or issuance of any other class or series of Partnership Interests represented by Junior Units or Parity Preferred Units that are not issued to an affiliate of the Partnership, other than the General Partner or the Operating

Partnership to the extent the issuance of such interests was to allow the General Partner or the Operating Partnership to issue corresponding preferred stock or preferred interests to persons who are not affiliates of the Partnership (other than AMB to the extent AMB issues corresponding preferred stock or preferred interests to persons who are not affiliates of the Partnership or the Operating Partnership), shall not be deemed to materially and adversely affect such rights, preferences, privileges or voting powers.

C. So long as any Series D Preferred Units remain outstanding, the General Partner shall not, without the affirmative vote of the holders of at least two-thirds of the Series D Preferred Units outstanding at the time, take any action which would result in the termination of the right of the holders of such units to effect an exchange pursuant to Section 17.8; provided however, no such vote shall be required so long as the Series D Preferred Units (or any interests substituted therefore pursuant to Section 17.6.B) remain outstanding and are exchangeable for Series D Preferred Shares or stock in another entity having substantially the same terms and rights as the Series D Preferred Shares.

D. Notwithstanding anything to the contrary contained in this Agreement, including, without limitation, the provisions of Article 7 regarding the management rights and responsibilities of the General Partner, whenever distributions on any Series D Preferred Units shall remain unpaid for six or more quarterly periods (i.e., the quarterly periods ending on the 25th day of each March, June, September and December, or, if not a business day, the next succeeding business day, beginning with the quarterly period ending June 25, 1999) (whether or not consecutive), the holders of 51% of either (i) such Series D Preferred Units, in the event that the holders of the Series E Preferred Units are not entitled to exercise management rights pursuant to Section 18.6.D, the holders of the Series F Preferred Units are not entitled to exercise management rights pursuant to Section 19.6D, the holders of the Series H Preferred Units are not entitled to exercise management rights pursuant to Section 21.6D, the holders of the Series I Preferred Units are not entitled to exercise management rights pursuant to Section 22.6D and that no Future Parity Preferred Unitholders (as defined below) are entitled to exercise management rights similar to those to which the holders of Series D Preferred Units, Series E Preferred Units, Series F Preferred Units, Series H Preferred Units and Series I Preferred Units are entitled to exercise pursuant to this Section 17.6.D, Section 18.6.D, Section 19.6D, Section 21.6D and Section 22.6D, respectively, or (ii) the Parity Preferred Capital, in the event that holders of the Series E Preferred Units, Series F Preferred Units, Series H Preferred Units or Series I Preferred Units are entitled to exercise management rights pursuant to Section 18.6.D, Section 19.6D, Section 21.6D or Section 22.6D, respectively, or Future Parity Preferred Unitholders are entitled to exercise management rights similar to those to which the holders of Series D Preferred Units, Series E Preferred Units, Series F Preferred Units, Series H Preferred Units and Series I Preferred Units are entitled to exercise pursuant to this Section 17.6.D, Section 18.6.D, Section 19.6D, Section 21.6D and Section 22.6D, respectively, shall be entitled to assume rights to manage the Partnership and perform actions related thereto for the sole purpose of enforcing the Partnership's rights and remedies as against obligees of the Partnership or other Persons from whom the Partnership may be entitled to receive cash or other assets, until all distributions accumulated on the Series D Preferred Units for all past quarterly periods and the distribution for the then-current quarterly period shall have been fully-paid or declared and a sum sufficient for the payment thereof irrevocably set aside in trust for payment in full; provided, however, that no such holder or holders of Series D Preferred Units may at any time take any action (or fail to take any action) if the consequence of such action (or inaction) would be (i) to cause AMB to fail to

qualify as a REIT for federal or applicable state income tax purposes or (ii) to cause the Partnership or the Operating Partnership to fail to qualify as a

partnership for federal or applicable state income tax purposes, or (iii) to cause the Partnership, the Operating Partnership, the General Partner, or AMB to be considered an "investment company" as defined in, or otherwise be subject to regulation under, the Investment Company Act of 1940, as amended; and provided, further, that solely for purposes of exercising the management rights set forth in this Section 17.6.D, each holder of Series D Preferred Units shall be deemed an Indemnitee, and shall be entitled to the benefits of the indemnification provisions of Section 7.7 with respect to any and all action(s) taken (or failure(s) to act) by a holder of Series D Preferred Units in the exercise of (or failure(s) to exercise) the management rights described in this Section 17.6.D, including, without limitation, alleged breaches of the General Partner's fiduciary duty to the Partners; and provided further, that the holders of the Series D Preferred Units acknowledge and agree that the General Partner and the Partnership shall be entitled to provide similar management rights to holders of Parity Preferred Units that are issued by the Partnership following the date hereof ("Future Parity Preferred Unitholders").

Section 17.7. Transfer Restrictions

The Series D Preferred Units shall be subject to the provisions of Article 11 hereof. Notwithstanding any provision to the contrary herein, no transfer of Series D Preferred Units, or other action by the holder or holders of such Units, is permitted, without the consent of the General Partner which consent may be given or withheld in its sole and absolute discretion, if such transfer or other action would result in more than four partners holding all outstanding Series D Preferred Units, Series H Preferred Units and Series I Preferred Units within the meaning of Treasury Regulation Section 1.7704-1(h)(1)(ii) (without regard to Treasury Regulation Section 1.7704-1(h)(3)(ii)); provided, however, that the General Partner's consent may not be unreasonably withheld if (a) such transfer or other action would not result in more than ten partners holding all outstanding Series D Preferred Units, Series H Preferred Units and Series I Preferred Units within the meaning of Treasury Regulation Section 1.7704-1(h)(1)(ii) (without regard to Treasury Regulation Section 1.7704-1(h)(3)(ii)) and (b) the General Partner cannot rely on Treasury Regulation Section 1.7704-1(h). In addition, no transfer may be made to any person if such transfer would cause the exchange of the Series D Preferred Units for Series D Preferred Shares, as provided herein, to be required to be registered under the Securities Act of 1933, as amended, or any state securities laws.

Section 17.8. Exchange Rights

A. Right to Exchange. (i) Series D Preferred Units will be exchangeable in whole but not in part unless expressly otherwise provided herein at anytime on or after May 5, 2009, at the option of 51% of the holders of all outstanding Series D Preferred Units, for authorized but previously unissued Series D Preferred Shares at an exchange rate of one Series D Preferred Share from AMB for one Series D Preferred Unit, subject to adjustment as described below (the "Series D Exchange Price"); provided that the Series D Preferred Units will become exchangeable at any time, in whole but not in part unless expressly otherwise provided herein, at the option of 51% of the holders of all outstanding Series D Preferred Units for Series D Preferred Shares if (y) at any time full distributions shall not have been timely made on any Series D Preferred Unit with respect to six (6) prior quarterly distribution periods, whether or not consecutive; provided, however, that a distribution in respect of Series D Preferred Units shall be

considered timely made if made within two (2) Business Days after the applicable Series D Preferred Unit Distribution Payment Date if at the time of such late payment there shall not be any prior quarterly distribution periods in respect of which full distributions were not timely made or (z) upon receipt by a holder or holders of Series D Preferred Units of (A) notice from the General Partner that the General Partner or a Subsidiary of the General Partner has taken the position that the Partnership is, or upon the consummation of an identified event in the immediate future will be, a "publicly traded partnership" within the meaning of Code Section 7704 (a "PTP") and (B) an opinion rendered by independent counsel familiar with such matters addressed to a holder or holders of Series D Preferred Units, that the Partnership is or likely is, or upon the occurrence of a defined event in the immediate future will be or likely will be, a PTP. In addition, the Series D Preferred Units may be exchanged for Series D Preferred Shares, in whole but not in part unless expressly otherwise provided herein, at the option of 51% of the holders of all outstanding Series D Preferred Units after May 5, 2002 and prior to May 5, 2009 if such holders of a Series D Preferred Units shall deliver to the General Partner either (i) a private letter ruling addressed to such holder of Series D Preferred Units or (ii) an opinion of independent counsel reasonably acceptable to the General Partner based on a change in statute, the enactment of temporary or final Treasury Regulations or the publication of a Revenue Ruling or any other IRS release, in either case to the effect that an exchange of the Series D Preferred Units at such earlier time would not cause the Series D Preferred Units to be considered "stock and securities" within the meaning of Section 351(e) of the Code for purposes of determining whether the holder of such Series D Preferred

Units is an "investment company" under Section 721(b) of the Code if an exchange is permitted at such earlier date.

(ii) Notwithstanding anything to the contrary set forth in Section 17.8.A(i), if a Series D Exchange Notice (as defined herein) has been delivered to AMB and the General Partner, then the General Partner may, at its option, within ten (10) Business Days after receipt of the Series D Exchange Notice, elect to cause the Partnership to redeem all or a portion of the outstanding Series D Preferred Units for cash in an amount equal to the original Capital Contribution per Series D Preferred Unit and all accrued and unpaid distributions thereon to the date of redemption. If the General Partner elects to redeem fewer than all of the outstanding Series D Preferred Units, the number of Series D Preferred Units held by each holder to be redeemed shall equal such holder's pro rata share (based on the percentage of the aggregate number of outstanding Series D Preferred Units that the total number of Series D Preferred Units held by such holder represents) of the aggregate number of Series D Preferred Units being redeemed.

(iii) In the event an exchange of all Series D Preferred Units pursuant to Section 17.8.A would violate the provisions on ownership limitation of AMB set forth in Section 7 of Article Third of the Series D Articles Supplementary, each holder of Series D Preferred Units shall be entitled to exchange, pursuant to the provisions of Section 17.8.B, a number of Series D Preferred Units which would comply with the provisions on the ownership limitation of AMB set forth in such Section 7 of Article Third of the Series D Articles Supplementary, with respect to such holder, and any Series D Preferred Units not so exchanged (the "Series D Excess Units") shall be redeemed by the Partnership for cash in an amount equal to the original Capital Contribution per Series D Excess Unit, plus any accrued and unpaid distributions thereon to the date of redemption subject to any restriction thereon contained in any debt instrument or agreement of the Partnership. In the event an exchange would result in Series D Excess Units, as a condition to such exchange, each holder of such units agrees to provide representations and

covenants reasonably requested by AMB relating to (i) the widely held nature of the interests in such holder, sufficient to assure AMB that the holder's ownership of stock of AMB (without regard to the limits described above) will not cause any individual to own in excess of 9.0% of the stock of AMB; and (ii) to the extent such Holder can so represent and covenant without obtaining information from its owners (other than one or more direct or indirect parent corporations, limited liability companies or partnerships and not the holders of any interests in any such parent), the Holder's ownership of tenants of the Partnership and its affiliates. For purposes of determining the number of Series D Excess Units under this Section 17.8.A(iii), the "Ownership Limit" set forth in the Series D Articles Supplementary shall be deemed to be 9.0%. To the extent the Partnership would not be able to pay the cash set forth above in exchange for the Series D Excess Units, and to the extent consistent with the REIT Charter, AMB agrees that it will grant to the holders of the Series D Preferred Units exceptions to the Ownership Limit set forth in the Series D Articles Supplementary sufficient to allow such Holders to exchange all of their Series D Preferred Units for Series D Preferred Shares; provided such holders furnish to AMB representations acceptable to AMB in its sole and absolute discretion which assure AMB that such exceptions will not jeopardize AMB's tax status as a REIT for purposes of federal and applicable state law. Notwithstanding any provision of this Agreement to the contrary, no Series D Limited Partner shall be entitled to effect an exchange of Series D Preferred Units for Series D Preferred Shares to the extent that ownership or right to acquire such shares would cause the Partner or any other Person or, in the opinion of counsel selected by AMB, may cause the Partner or any other Person, to violate the restrictions on ownership and transfer of Series D Preferred Shares set forth in the REIT Charter. To the extent any such attempted exchange for Series D Preferred Shares would be in violation of the previous sentence, it shall be void ab initio and such Series D Limited Partner shall not acquire any rights or economic interest in the Series D Preferred Shares otherwise issuable upon such exchange.

(iv) The redemption of Series D Preferred Units described in Section 17.8.A(ii) and (iii) shall be subject to the provisions of Section 17.5.B(i) and Section 17.5.C(ii); provided, however, that the term "Series D Redemption Price" in such Sections 17.5.B(i) and 17.5.C(ii) shall be read to mean the original Capital Contribution per Series D Preferred Unit being redeemed as set forth on Exhibit A plus all accrued and unpaid distributions to the redemption date.

B. Procedure for Exchange of Series D Preferred Units and/or Series D Redemption.

(i) Any exchange shall be exercised pursuant to a notice of exchange (the "Series D Exchange Notice") delivered to AMB and the General Partner by the Partners representing at least 51% of the outstanding Series D Preferred Units (or by the Series D Contributor in the case of an exchange pursuant to the last sentence of Section 17.8.A.(i) hereof) by (a) fax and (b) by certified mail postage prepaid. AMB may effect any exchange of Series D Preferred Units, or the General Partner may exercise its option to cause the Partnership to redeem any

portion of the Series D Preferred Units for cash pursuant to Section 17.8.A(ii) or redeem Series D Excess Units pursuant to Section 17.8.A(iii), by delivering to each holder of record of Series D Preferred Units, within ten (10) Business Days following receipt of the Series D Exchange Notice, (a) if the General Partner elects to cause the Partnership to acquire any of the Series D Preferred Units then outstanding, (1) certificates representing the Series D Preferred Shares being issued in exchange for the Series D Preferred Units of such holder being exchanged and (2) a written

notice (a "Series D Redemption Notice") stating (A) the redemption date, which may be the date of such Series D Redemption Notice or any other date which is not later than sixty (60) days following the receipt of the Series D Exchange Notice, (B) the redemption price, (C) the place or places where the Series D Preferred Units are to be surrendered and (D) that distributions on the Series D Preferred Units will cease to accrue on such redemption date, or (b) if the General Partner elects to cause the Partnership to redeem all of the Series D Preferred Units then outstanding in exchange for cash, a Series D Redemption Notice. Series D Preferred Units which are redeemed shall be deemed canceled (and any corresponding Partnership Interest represented thereby deemed terminated) on the redemption date. Holders of Series D Preferred Units shall deliver any canceled certificates representing Series D Preferred Units which have been exchanged or redeemed to the office of General Partner (which currently is located at Pier 1, Bay 1, San Francisco, California 94111) within ten (10) Business Days of the exchange or redemption with respect thereto. Notwithstanding anything to the contrary contained herein, any and all Series D Preferred Units to be exchanged for Series D Preferred Shares pursuant to this Section 17.8 shall be so exchanged in a single transaction at one time. As a condition to exchange, AMB may require the holders of Series D Preferred Units to make such representations as may be reasonably necessary for the General Partner to establish that the issuance of Series D Preferred Shares pursuant to the exchange shall not be required to be registered under the Securities Act or any state securities laws. Any Series D Preferred Shares issued pursuant to this Section 17.8 shall be delivered as shares which are duly authorized, validly issued, fully paid and nonassessable, free of any pledge, lien, encumbrance or restriction other than those provided in the REIT Charter, the Bylaws of AMB, the Securities Act and relevant state securities or blue sky laws.

The certificates representing the Series D Preferred Shares issued upon exchange of the Series D Preferred Units shall contain the following legend:

> THE SHARES REPRESENTED BY THIS CERTIFICATE MAY NOT BE TRANSFERRED, SOLD, ASSIGNED, PLEDGED, HYPOTHECATED OR OTHERWISE DISPOSED OF EXCEPT (A) PURSUANT TO AN EFFECTIVE REGISTRATION STATEMENT UNDER THE SECURITIES ACT OF 1933, AS AMENDED (THE "ACT"), AND STATE SECURITIES LAWS OR (B) IF THE CORPORATION HAS BEEN FURNISHED WITH A SATISFACTORY OPINION OF COUNSEL FOR THE HOLDER OF THE SHARES REPRESENTED HEREBY, OR OTHER EVIDENCE SATISFACTORY TO THE CORPORATION, THAT SUCH TRANSFER, SALE, ASSIGNMENT, PLEDGE, HYPOTHECATION OR OTHER DISPOSITION IS EXEMPT FROM THE PROVISIONS OF SECTION 5 OF THE ACT AND STATE SECURITIES LAWS AND THE RULES AND REGULATIONS THEREUNDER.

(ii) In the event of an exchange of Series D Preferred Units for Series D Preferred Shares, an amount equal to the accrued and unpaid distributions to the date of exchange on any Series D Preferred Units tendered for exchange shall (i) accrue on the Series D Preferred Shares into which such Series D Preferred Units are exchanged, and (ii) continue to accrue on such Series D Preferred Units, which shall remain outstanding following such

exchange, with the General Partner as the holder of such Series D Preferred Units. Notwithstanding anything to the contrary set forth herein, in no event shall a Holder of a Series D Preferred Unit that was validly exchanged for Series D Preferred Shares pursuant to this Section (other than the General Partner holding such Series D Preferred Unit following any such exchange), receive a distribution out of Available Cash of the Partnership, if such Holder, after exchange, is entitled to receive a distribution with respect to the Series D Preferred Shares for which such Series D Preferred Unit was exchanged or redeemed. Further for purposes of the foregoing, in the event of an exchange of Series D Preferred Units for Series D Preferred Shares, if the accrued and unpaid distributions per Series D Preferred Unit is not the same for each Series D Preferred Unit, the accrued and unpaid distributions per Series D Preferred Unit for each such Series D Preferred Unit shall be equal to the greatest amount of such accrued and unpaid distributions per Series D Preferred Unit on any such unit.

(iii) Fractional Series D Preferred Shares are not to be issued upon exchange but, in lieu thereof, the General Partner will pay a cash adjustment based upon the fair market value of the Series D Preferred Shares on the day prior to the exchange date as determined in good faith by the board of directors of the General Partner.

C. Adjustment of Series D Exchange Price. In case AMB shall be a party to any transaction (including, without limitation, a merger, consolidation, statutory share exchange, tender offer for all or substantially all of AMB's capital stock or sale of all or substantially all of AMB's assets), in each case as a result of which the Series D Preferred Shares will be converted into the right to receive shares of capital stock, other securities or other property (including cash or any combination thereof), each Series D Preferred Unit will thereafter be exchangeable into the kind and amount of shares of capital stock and other securities and property receivable (including cash or any combination thereof) upon the consummation of such transaction by a holder of that number of Series D Preferred Shares or fraction thereof into which one Series D Preferred Unit was exchangeable immediately prior to such transaction. AMB may not become a party to any such transaction unless the terms thereof are consistent with the foregoing. AMB and the Operating Partnership further agree that, notwithstanding any transaction to which either may be a party (including, without limitation, any merger, consolidation, statutory share exchange, tender offer for all or substantially all of such entity's capital stock or partnership interests or sale of all or substantially all of such entity's assets), immediately following any such transaction, the issuer or issuers of any shares of capital stock and other securities into which the Series D Preferred Units shall be exchangeable pursuant to this Section 17.8 shall be the same issuer or issuers of shares of capital stock and other securities into which the Series B Preferred Units are then exchangeable (or, if the Series B Preferred Units have previously been redeemed in full, would have been then exchangeable if then still outstanding).

Section 17.9. No Conversion Rights

The Series D Preferred Units shall not be convertible into any other class or series of interest in the Partnership.

Section 17.10. No Sinking Fund

No sinking fund shall be established for the retirement or redemption of Series D Preferred Units.

ARTICLE 18.
SERIES E PREFERRED UNITS

Section 18.1. Designation and Number

A series of Partnership Units in the Partnership designated as the 7.75% Series E Cumulative Redeemable Preferred Units (the "Series E Preferred Units") is hereby established. The number of Series E Preferred Units shall be 220,440.

Section 18.2. Ranking

The Series E Preferred Units shall, with respect to distribution rights and rights upon voluntary or involuntary liquidation, winding up or dissolution of the Partnership, rank (i) senior to the Common Units and to all Partnership Units the terms of which provide that such Partnership Units shall rank junior to the Series E Preferred Units; (ii) on a parity with the Series D Preferred Units and all other Parity Preferred Units; and (iii) junior to all Partnership Units which rank senior to the Series E Preferred Units.

Section 18.3. Distributions

A. Payment of Distributions. Subject to the rights of holders of Parity Preferred Units as to the payment of distributions (including pursuant to Sections 5.1, 17.3A, 19.3A, 21.3A and 22.3A hereof), holders of Series E Preferred Units will be entitled to receive, when, as and if declared by the Partnership acting through the General Partner, out of Available Cash, cumulative preferential cash distributions in an amount equal to the Series E Priority Return. Such distributions will be payable (A) quarterly (such quarterly periods for purposes of payment and accrual will be the quarterly periods ending on the dates specified in this sentence and not calendar year quarters) in arrears, on the 15th day of January, April, July and October of each year and (B) in the event of (i) an exchange of Series E Preferred Units into Series E Preferred Shares, or (ii) a redemption of Series E Preferred Units, on the exchange date or redemption date, as applicable (each a "Series E Preferred Unit Distribution Payment Date"), commencing on the first of such payment dates to occur following their original date of issuance. If any date on which distributions are to be made on the Series E Preferred Units is not a Business Day, then payment of the distribution to be made on such date will be made on the next succeeding day that is a Business Day (and without any interest or other payment in respect of any such delay) except that, if such Business Day is in the next succeeding calendar year, such payment shall be made on the immediately preceding Business Day, in each case with the same force and effect as if made on such date. Distributions on the Series E Preferred Units will be made to the holders of record of the Series E Preferred Units on the relevant record dates, which will be fifteen (15) days prior to the relevant Series E Preferred Unit Distribution Payment Date (the "Series E Preferred Unit

Partnership Record Date"). For purposes of clarifying the relative distribution priority rights among the Series I Preferred Units, Series H Preferred Units, the Series F Preferred Units, the Series E Preferred Units and the Series D Preferred Units, the payment of distributions with respect to a series of such Preferred Units prior to the payment of distributions with respect to another such series of Preferred Units, solely as a result of the distribution payment dates with respect to a series of Preferred Units occurring on a different

date from another series of Preferred Units, shall not be deemed to create a priority in favor of one series of Preferred Units over any other series of Preferred Units.

B. Distributions Cumulative. Notwithstanding the foregoing, distributions on the Series E Preferred Units will accrue whether or not the terms and provisions of any agreement of the Partnership at any time prohibit the current payment of distributions, whether or not the Partnership has earnings, whether or not there are funds legally available for the payment of such of such distributions and whether or not such distributions are authorized. Accrued but unpaid distributions on the Series E Preferred Units will accumulate as of the Preferred Unit Distribution Payment Date on which they first become payable.

C. Priority as to Distributions. (i) So long as any Series E Preferred Units are outstanding, no distribution of cash or other property shall be authorized, declared, paid or set apart for payment on or with respect to any class or series of Partnership Interest represented by Junior Units, nor shall any Junior Units or Parity Preferred Units be redeemed, purchased or otherwise acquired for any consideration (or any monies be paid to or made available for a sinking fund for the redemption of any such Junior Units or Parity Preferred Units) by the Partnership (except by conversion into or exchange for other Junior Units or Parity Preferred Units, as the case may be) unless, in each case, full cumulative distributions have been or contemporaneously are authorized and paid or authorized and a sum sufficient for the payment thereof set apart for such payment on the Series E Preferred Units and all classes and series of outstanding Parity Preferred Units for all distribution periods. The foregoing sentence will not prohibit (a) distributions payable solely in Junior Units, (b) the exchange of Junior Units or Parity Preferred Units into Partnership Interests of the Partnership ranking junior to the Series E Preferred Units as to distributions and upon voluntary and involuntary liquidation, dissolution or winding up of the Partnership, or (c) distributions necessary to enable the Operating Partnership to redeem partnership interests corresponding to Series E Preferred Shares and any Parity Preferred Stock with respect to distributions or Junior Stock to be purchased by AMB pursuant to the REIT Charter to preserve AMB's status as a REIT; provided that such redemption shall be upon the same terms as the corresponding stock purchase pursuant to the REIT Charter.

(ii) So long as distributions have not been paid in full (or a sum sufficient for such full payment is not so set apart) upon the Series E Preferred Units and any other Parity Preferred Units, all distributions authorized and declared on the Series E Preferred Units and all classes or series of outstanding Parity Preferred Units shall be authorized and declared pro rata so that the amount of distributions authorized and declared per Series E Preferred Unit and such other classes or series of Parity Preferred Units shall in all cases bear to each other the same ratio that accrued distributions per Series E Preferred Unit and such other classes or series of Parity Preferred Units (which shall not include any accumulation in respect of unpaid distributions for prior distribution periods if such class or series of Parity Preferred Units do not have cumulative distribution rights) bear to each other. No interest, or sum of money in lieu of interest, shall be payable in respect of any distributions or payments on Series E Preferred Units which may be in arrears.

(iii) Notwithstanding anything to the contrary set forth herein, distributions on Partnership Interests held by either (a) the General Partner, (b) the Operating Partnership or (c) any other holder of Partnership Interests in the Partnership, in each case ranking junior to or on parity with the Series E Preferred Units may be made, without preserving the priority of

distributions described in Sections 18.3.C(i) and (ii), but only to the extent such distributions are required to preserve the REIT status of AMB, in its capacity as sole general partner of the Operating Partnership and as sole stockholder of the General Partner, and in the case of any holder other than the General Partner only to the extent required by the Partnership Agreement; provided, that the Partnership shall not be disproportionately burdened by this provision relative to the cash flow generated by other assets owned directly or indirectly by AMB.

D. No Further Rights. Holders of Series E Preferred Units shall not be

entitled to any distributions, whether payable in cash, other property or otherwise, in excess of the full cumulative distributions described herein.

Section 18.4. Liquidation Proceeds

A. Distributions. Upon voluntary or involuntary liquidation, dissolution or winding-up of the Partnership, distributions on the Series E Preferred Units shall be made in accordance with Article 13 of this Agreement.

B. Notice. Written notice of any such voluntary or involuntary liquidation, dissolution or winding-up of the Partnership, stating the payment date or dates when, and the place or places where, the amounts distributable in such circumstances shall be payable, shall be given by the General Partner pursuant to Section 13.6 hereof.

C. No Further Rights. After payment of the full amount of the liquidating distributions to which they are entitled, Holders of Series E Preferred Units will have no right or claim to any of the remaining assets of the Partnership.

D. Consolidation, Merger or Certain Other Transactions. None of a consolidation or merger of the Partnership with or into another entity, a merger of another entity with or into the Partnership, or a sale, lease, transfer or conveyance of all or substantially all of the Partnership's property or business shall be considered a liquidation, dissolution or winding up of the Partnership.

Section 18.5. Series E Redemption

A. Series E Redemption. The Series E Preferred Units may not be redeemed prior to August 31, 2004. On or after such date, the Partnership shall have the right to redeem the Series E Preferred Units, in whole or in part, at any time or from time to time, upon not less than 30 nor more than 60 days' written notice, at a redemption price, payable in cash (a "Series E Redemption"), equal to the Capital Account balance of the holder of Series E Preferred Units (the "Series E Redemption Price"); provided, however, that no redemption pursuant to this Section 18.5 will be permitted if the Series E Redemption Price does not equal or exceed the original Capital Contribution of such holder plus the cumulative Series E Priority Return to the redemption date to the extent not previously distributed. If fewer than all of the outstanding Series E Preferred Units are to be redeemed, the Series E Preferred Units to be redeemed shall be selected pro rata (as nearly as practicable without creating fractional units).

B. Limitation on Series E Redemption. (i) The Series E Redemption Price of the Series E Preferred Units (other than the portion thereof consisting of accumulated but unpaid distributions) is payable solely out of the sale proceeds of capital stock of AMB, which will be

contributed by AMB to the General Partner or the Operating Partnership and which in turn will be contributed by the General Partner or the Operating Partnership to the Partnership as an additional capital contribution, or out of the sale of limited partner interests in the Partnership or the Operating Partnership and from no other source. For purposes of the preceding sentence, "capital stock" means any equity securities (including Common Stock and Preferred Stock (as such terms are defined in the REIT Charter), depository shares, interests, participation or other ownership interests (however designated) and any rights (other than debt securities convertible into or exchangeable for equity securities) or options to purchase any of the foregoing.

(ii) The Partnership may not redeem fewer than all of the outstanding Series E Preferred Units unless all accumulated and unpaid distributions have been paid on all Series E Preferred Units for all quarterly distribution periods terminating on or prior to the date of redemption.

C. Procedures for Series E Redemption. (i) Notice of redemption will be (i) faxed, and (ii) mailed by the Partnership, by certified mail, postage prepaid, not less than 30 nor more than 60 days prior to the redemption date, addressed to the respective holders of record of the Series E Preferred Units at their respective addresses as they appear on the records of the Partnership. No failure to give or defect in such notice shall affect the validity of the proceedings for the redemption of any Series E Preferred Units except as to the holder to whom such notice was defective or not given. In addition to any information required by law, each such notice shall state: (a) the redemption date, (b) the Series E Redemption Price, (c) the aggregate number of Series E Preferred Units to be redeemed and if fewer than all of the outstanding Series E Preferred Units are to be redeemed, the number of Series E Preferred Units to be redeemed held by such holder, which number shall equal such holder's pro rata share (based on the percentage of the aggregate number of outstanding Series E Preferred Units that the total number of Series E Preferred Units held by such holder represents) of the aggregate number of Series E Preferred Units to be redeemed, (d) the place or places where such Series E Preferred Units are to be surrendered for payment of the Series E Redemption Price, (e) that distributions on the Series E Preferred Units to be redeemed will cease to accumulate on such

redemption date and (f) that payment of the Series E Redemption Price will be made upon presentation and surrender of such Series E Preferred Units.

(ii) If the Partnership gives a notice of redemption in respect of Series E Preferred Units (which notice will be irrevocable) then, by 12:00 noon, New York City time, on the redemption date, the Partnership will deposit irrevocably in trust for the benefit of the Series E Preferred Units being redeemed funds sufficient to pay the applicable Series E Redemption Price and will give irrevocable instructions and authority to pay such Series E Redemption Price to the holders of the Series E Preferred Units upon surrender of the Series E Preferred Units by such holders at the place designated in the notice of redemption. On and after the date of redemption, distributions will cease to accumulate on the Series E Preferred Units or portions thereof called for redemption, unless the Partnership defaults in the payment thereof. If any date fixed for redemption of Series E Preferred Units is not a Business Day, then payment of the Series E Redemption Price payable on such date will be made on the next succeeding day that is a Business Day (and without any interest or other payment in respect of any such delay) except that, if such Business Day falls in the next calendar year, such payment will be made on the immediately preceding Business Day, in each case with the same force and effect as if made on such date fixed for redemption. If payment of the Series E Redemption Price is improperly

withheld or refused and not paid by the Partnership, distributions on such Series E Preferred Units will continue to accumulate from the original redemption date to the date of payment, in which case the actual payment date will be considered the date fixed for redemption for purposes of calculating the applicable Series E Redemption Price.

Section 18.6. Voting and Certain Management Rights

A. General. Holders of the Series E Preferred Units will not have any voting rights or right to consent to any matter requiring the consent or approval of the Limited Partners, except as set forth below and in Section 7.3.E.

B. Certain Voting Rights. So long as any Series E Preferred Units remains outstanding, the Partnership shall not, without the affirmative vote of the holders of at least two-thirds of the Series E Preferred Units outstanding at the time (i) authorize or create, or increase the authorized or issued amount of, any class or series of Partnership Interests ranking prior to the Series E Preferred Units with respect to payment of distributions or rights upon liquidation, dissolution or winding-up or reclassify any Partnership Interests of the Partnership into any such Partnership Interest, or create, authorize or issue any obligations or security convertible into or evidencing the right to purchase any such Partnership Interests, (ii) authorize or create, or increase the authorized or issued amount of any Parity Preferred Units or reclassify any Partnership Interest of the Partnership into any such Partnership Interest or create, authorize or issue any obligations or security convertible into or evidencing the right to purchase any such Partnership Interests but only to the extent such Parity Preferred Units are issued to an affiliate of the Partnership, other than AMB or the Operating Partnership to the extent the issuance of such interests was to allow AMB or the Operating Partnership to issue corresponding preferred stock or preferred interests to persons who are not affiliates of the Partnership (other than AMB to the extent AMB issues corresponding preferred stock to persons who are not affiliates of the Partnership or the Operating Partnership) or (iii) either consolidate, merge into or with, or convey, transfer or lease its assets substantially as an entirety to, any corporation or other entity or amend, alter or repeal the provisions of the Partnership Agreement (including, without limitation, this Article 18 and Section 11.2), whether by merger, consolidation or otherwise, in each case in a manner that would materially and adversely affect the powers, special rights, preferences, privileges or voting power of the Series E Preferred Units or the holders thereof; provided, however, that with respect to the occurrence of any event set forth in (iii) above, so long as (a) the Partnership is the surviving entity and the Series E Preferred Units remain outstanding with the terms thereof unchanged, or (b) the resulting, surviving or transferee entity is a partnership, limited liability company or other pass-through entity organized under the laws of any state and substitutes the Series E Preferred Units for other interests in such entity having substantially the same terms and rights as the Series E Preferred Units, including with respect to distributions, voting rights and rights upon liquidation, dissolution or winding-up, then the occurrence of any such event shall not be deemed to materially and adversely affect such rights, privileges or voting powers of the holders of the Series E Preferred Units; and provided further, that any increase in the amount of Partnership Interests or the creation or issuance of any other class or series of Partnership Interests represented by Junior Units or Parity Preferred Units that are not issued to an affiliate of the Partnership, other than the General Partner or the Operating Partnership to the extent the issuance of such interests was to allow the General Partner or the Operating Partnership to issue corresponding preferred stock or preferred interests to persons who are not affiliates of the Partnership (other than AMB to the extent AMB issues

corresponding preferred stock or preferred interests to persons who are not affiliates of the Partnership or the Operating Partnership), shall not be deemed to materially and adversely affect such rights, preferences, privileges or voting powers.

C. So long as any Series E Preferred Units remain outstanding, the General Partner shall not, without the affirmative vote of the holders of at least two-thirds of the Series E Preferred Units outstanding at the time, take any action which would result in the termination of the right of the holders of such units to effect an exchange pursuant to Section 18.8; provided however, no such vote shall be required so long as the Series E Preferred Units (or any interests substituted therefore pursuant to Section 18.6.B) remain outstanding and are exchangeable for Series E Preferred Shares or stock in another entity having substantially the same terms and rights as the Series E Preferred Shares.

D. Notwithstanding anything to the contrary contained in this Agreement, including, without limitation, the provisions of Article 7 regarding the management rights and responsibilities of the General Partner, whenever distributions on any Series E Preferred Units shall remain unpaid for six or more quarterly periods (i.e., the quarterly periods ending on the 15th day of each January, April, July and October, or, if not a business day, the next succeeding business day, beginning with the quarterly period ending October 15, 1999) (whether or not consecutive), the holders of 51% of either (i) such Series E Preferred Units, in the event that the holders of the Series D Preferred Units, Series F Preferred Units, Series H Preferred Units and Series I Preferred Units are not entitled to exercise management rights pursuant to Section 17.6.D, Section 19.6.D, Section 21.6.D and Section 22.6.D, respectively, and that no Future Parity Preferred Unitholders are entitled to exercise management rights similar to those to which the holders of Series D Preferred Units, Series E Preferred Units, Series F Preferred Units, Series H Preferred Units and Series I Preferred Units are entitled to exercise pursuant to Section 17.6.D, this Section 18.6.D, Section 19.6.D, Section 21.6.D and Section 22.6.D, respectively, or (ii) the Parity Preferred Capital, in the event that holders of Series D Preferred Units, Series F Preferred Units, Series H Preferred Units or Series I Preferred Units are entitled to exercise management rights pursuant to Section 17.6.D, Section 19.6.D, Section 21.6.D or Section 22.6.D, respectively, or Future Parity Preferred Unitholders are entitled to exercise management rights similar to those to which the holders of Series D Preferred Units, Series E Preferred Units, Series F Preferred Units, Series H Preferred Units, and Series I Preferred Units are entitled to exercise pursuant to Section 17.6.D, Section 18.6.D, Section 19.6.D, Section 21.6.D and Section 22.6.D, respectively, shall be entitled to assume rights to manage the Partnership and perform actions related thereto for the sole purpose of enforcing the Partnership's rights and remedies as against obligees of the Partnership or other Persons from whom the Partnership may be entitled to receive cash or other assets, until all distributions accumulated on the Series E Preferred Units for all past quarterly periods and the distribution for the then-current quarterly period shall have been fully-paid or declared and a sum sufficient for the payment thereof irrevocably set aside in trust for payment in full; provided, however, that no such holder or holders of Series E Preferred Units may at any time take any action (or fail to take any action) if the consequence of such action (or inaction) would be (i) to cause AMB to fail to qualify as a REIT for federal or applicable state income tax purposes or (ii) to cause the Partnership or the Operating Partnership to fail to qualify as a partnership for federal or applicable state income tax purposes, or (iii) to cause the Partnership, the Operating Partnership, the General Partner, or AMB to be considered an "investment company" as defined in, or otherwise be subject to regulation under, the Investment Company Act of 1940, as amended; and provided, further, that solely for purposes of

exercising the management rights set forth in this Section 18.6.D, each holder of Series E Preferred Units shall be deemed an Indemnitee, and shall be entitled to the benefits of the indemnification provisions of Section 7.7 with respect to any and all action(s) taken (or failure(s) to act) by a holder of Series E Preferred Units in the exercise of (or failure(s) to exercise) the management rights described in this Section 18.6.D, including, without limitation, alleged breaches of the General Partner's fiduciary duty to the Partners; and provided further, that the holders of the Series E Preferred Units acknowledge and agree that the General Partner and the Partnership has provided similar management rights to the holders of the Series D Preferred Units and shall be entitled to provide similar management rights to Future Parity Preferred Unitholders.

Section 18.7. Transfer Restrictions

The Series E Preferred Units shall be subject to the provisions of Article 11 hereof. Notwithstanding any provision to the contrary herein, no transfer of Series E Preferred Units, or other action by the holder or holders of such Units, is permitted without the consent of the General Partner which

consent may be given or withheld in its sole and absolute discretion, if such transfer or other action would result in more than four partners holding all outstanding Series E Preferred Units within the meaning of Treasury Regulation Section 1.7704-1(h)(1)(ii) (without regard to Treasury Regulation Section 1.7704-1(h)(3)(ii)); provided, however, that the General Partner's consent may not be unreasonably withheld if (a) such transfer or other action would not result in more than ten partners holding all outstanding Series E Preferred Units within the meaning of Treasury Regulation Section 1.7704-1(h)(1)(ii) (without regard to Treasury Regulation Section 1.7704-1(h)(3)(ii)) and (b) the General Partner cannot rely on Treasury Regulation Section 1.7704-1(h). In addition, no transfer may be made to any person if such transfer would cause the exchange of the Series E Preferred Units for Series E Preferred Shares, as provided herein, to be required to be registered under the Securities Act of 1933, as amended, or any state securities laws.

Section 18.8. Exchange Rights

A. Right to Exchange. (i) Series E Preferred Units will be exchangeable in whole but not in part unless expressly otherwise provided herein at anytime on or after August 31, 2009, at the option of 51% of the holders of all outstanding Series E Preferred Units, for authorized but previously unissued Series E Preferred Shares at an exchange rate of one Series E Preferred Share from AMB for one Series E Preferred Unit, subject to adjustment as described below (the "Series E Exchange Price"); provided that the Series E Preferred Units will become exchangeable at any time, in whole but not in part unless expressly otherwise provided herein, at the option of 51% of the holders of all outstanding Series E Preferred Units for Series E Preferred Shares if (y) at any time full distributions shall not have been timely made on any Series E Preferred Unit with respect to six (6) prior quarterly distribution periods, whether or not consecutive; provided, however, that a distribution in respect of Series E Preferred Units shall be considered timely made if made within two (2) Business Days after the applicable Series E Preferred Unit Distribution Payment Date if at the time of such late payment there shall not be any prior quarterly distribution periods in respect of which full distributions were not timely made or (z) upon receipt by a holder or holders of Series E Preferred Units of (A) notice from the General Partner that the General Partner or a Subsidiary of the General Partner has taken the position that the Partnership is, or upon the consummation of an identified event in the

immediate future will be, a PTP and (B) an opinion rendered by independent counsel familiar with such matters addressed to a holder or holders of Series E Preferred Units, that the Partnership is or likely is, or upon the occurrence of a defined event in the immediate future will be or likely will be, a PTP. In addition, the Series E Preferred Units may be exchanged for Series E Preferred Shares, in whole but not in part unless expressly otherwise provided herein, at the option of 51% of the holders of all outstanding Series E Preferred Units after August 31, 2002 and prior to August 31, 2009 if such holders of a Series E Preferred Units shall deliver to the General Partner either (i) a private letter ruling addressed to such holder of Series E Preferred Units or (ii) an opinion of independent counsel reasonably acceptable to the General Partner based on a change in statute, the enactment of temporary or final Treasury Regulations or the publication of a Revenue Ruling or any other IRS release, in either case to the effect that an exchange of the Series E Preferred Units at such earlier time would not cause the Series E Preferred Units to be considered "stock and securities" within the meaning of Section 351(e) of the Code for purposes of determining whether the holder of such Series E Preferred Units is an "investment company" under Section 721(b) of the Code if an exchange is permitted at such earlier date.

(ii) Notwithstanding anything to the contrary set forth in Section 18.8.A(i), if a Series E Exchange Notice (as defined herein) has been delivered to AMB and the General Partner, then the General Partner may, at its option, within ten (10) Business Days after receipt of the Series E Exchange Notice, elect to cause the Partnership to redeem all or a portion of the outstanding Series E Preferred Units for cash in an amount equal to the original Capital Contribution per Series E Preferred Unit and all accrued and unpaid distributions thereon to the date of redemption. If the General Partner elects to redeem fewer than all of the outstanding Series E Preferred Units, the number of Series E Preferred Units held by each holder to be redeemed shall equal such holder's pro rata share (based on the percentage of the aggregate number of outstanding Series E Preferred Units that the total number of Series E Preferred Units held by such holder represents) of the aggregate number of Series E Preferred Units being redeemed.

(iii) In the event an exchange of all Series E Preferred Units pursuant to Section 18.8.A would violate the provisions on ownership limitation of AMB set forth in Section 7 of Article Third of the Series E Articles Supplementary, each holder of Series E Preferred Units shall be entitled to exchange, pursuant to the provisions of Section 18.8.B, a number of Series E Preferred Units which would comply with the provisions on the ownership limitation of AMB set forth in such Section 7 of Article Third of the Series E Articles Supplementary, with respect to such holder, and any Series E Preferred Units not so exchanged (the

"Series E Excess Units") shall be redeemed by the Partnership for cash in an amount equal to the original Capital Contribution per Series E Excess Unit, plus any accrued and unpaid distributions thereon to the date of redemption subject to any restriction thereon contained in any debt instrument or agreement of the Partnership. In the event an exchange would result in Series E Excess Units, as a condition to such exchange, each holder of such units agrees to provide representations and covenants reasonably requested by AMB relating to (i) the widely held nature of the interests in such holder, sufficient to assure AMB that the holder's ownership of stock of AMB (without regard to the limits described above) will not cause any individual to own in excess of 9.0% of the stock of AMB; and (ii) to the extent such Holder can so represent and covenant without obtaining information from its owners (other than one or more direct or indirect parent corporations, limited liability companies or partnerships and not the holders of any interests in

any such parent), the Holder's ownership of tenants of the Partnership and its affiliates. For purposes of determining the number of Series E Excess Units under this Section 18.8.A(iii), the "Ownership Limit" set forth in the Series E Articles Supplementary shall be deemed to be 9.0%. To the extent the Partnership would not be able to pay the cash set forth above in exchange for the Series E Excess Units, and to the extent consistent with the REIT Charter, AMB agrees that it will grant to the holders of the Series E Preferred Units exceptions to the Ownership Limit set forth in the Series E Articles Supplementary sufficient to allow such Holders to exchange all of their Series E Preferred Units for Series E Preferred Shares; provided such holders furnish to AMB representations acceptable to AMB in its sole and absolute discretion which assure AMB that such exceptions will not jeopardize AMB's tax status as a REIT for purposes of federal and applicable state law. Notwithstanding any provision of this Agreement to the contrary, no Series E Limited Partner shall be entitled to effect an exchange of Series E Preferred Units for Series E Preferred Shares to the extent that ownership or right to acquire such shares would cause the Partner or any other Person or, in the opinion of counsel selected by AMB, may cause the Partner or any other Person, to violate the restrictions on ownership and transfer of Series E Preferred Shares set forth in the REIT Charter. To the extent any such attempted exchange for Series E Preferred Shares would be in violation of the previous sentence, it shall be void ab initio and such Series E Limited Partner shall not acquire any rights or economic interest in the Series E Preferred Shares otherwise issuable upon such exchange.

(iv) The redemption of Series E Preferred Units described in Section 18.8.A(ii) and (iii) shall be subject to the provisions of Section 18.5.B(i) and Section 18.5.C(ii); provided, however, that the term "Series E Redemption Price" in such Sections 18.5.B(i) and 18.5.C(ii) shall be read to mean the original Capital Contribution per Series E Preferred Unit being redeemed as set forth on Exhibit A plus all accrued and unpaid distributions to the redemption date.

B. Procedure for Exchange of Series E Preferred Units and/or Series E Redemption.

(i) Any exchange shall be exercised pursuant to a notice of exchange (the "Series E Exchange Notice") delivered to AMB and the General Partner by the Partners representing at least 51% of the outstanding Series E Preferred Units (or by the Series E Contributor in the case of an exchange pursuant to the last sentence of Section 18.8.A.(i) hereof) by (a) fax and (b) by certified mail postage prepaid. AMB may effect any exchange of Series E Preferred Units, or the General Partner may exercise its option to cause the Partnership to redeem any portion of the Series E Preferred Units for cash pursuant to Section 18.8.A(ii) or redeem Series E Excess Units pursuant to Section 18.8.A(iii), by delivering to each holder of record of Series E Preferred Units, within ten (10) Business Days following receipt of the Series E Exchange Notice, (a) if the General Partner elects to cause the Partnership to acquire any of the Series E Preferred Units then outstanding, (1) certificates representing the Series E Preferred Shares being issued in exchange for the Series E Preferred Units of such holder being exchanged and (2) a written notice (a "Series E Redemption Notice") stating (A) the redemption date, which may be the date of such Series E Redemption Notice or any other date which is not later than sixty (60) days following the receipt of the Series E Exchange Notice, (B) the redemption price, (C) the place or places where the Series E Preferred Units are to be surrendered and (D) that distributions on the Series E Preferred Units will cease to accrue on such redemption date, or (b) if the General Partner elects to cause the Partnership to redeem all of the Series E Preferred Units then outstanding in

exchange for cash, a Series E Redemption Notice. Series E Preferred Units which are redeemed shall be deemed canceled (and any corresponding Partnership Interest represented thereby deemed terminated) on the redemption date. Holders of Series E Preferred Units shall deliver any canceled certificates representing Series E Preferred Units which have been exchanged or redeemed to the office of the General Partner (which currently is located at Pier 1, Bay 1, San Francisco, California 94111) within ten (10) Business Days of the exchange or redemption

with respect thereto. Notwithstanding anything to the contrary contained herein, any and all Series E Preferred Units to be exchanged for Series E Preferred Shares pursuant to this Section 18.8 shall be so exchanged in a single transaction at one time. As a condition to exchange, AMB may require the holders of Series E Preferred Units to make such representations as may be reasonably necessary for the General Partner to establish that the issuance of Series E Preferred Shares pursuant to the exchange shall not be required to be registered under the Securities Act or any state securities laws. Any Series E Preferred Shares issued pursuant to this Section 18.8 shall be delivered as shares which are duly authorized, validly issued, fully paid and nonassessable, free of any pledge, lien, encumbrance or restriction other than those provided in the REIT Charter, the Bylaws of AMB, the Securities Act and relevant state securities or blue sky laws.

The certificates representing the Series E Preferred Shares issued upon exchange of the Series E Preferred Units shall contain the following legend:

> THE SHARES REPRESENTED BY THIS CERTIFICATE MAY NOT BE TRANSFERRED, SOLD, ASSIGNED, PLEDGED, HYPOTHECATED OR OTHERWISE DISPOSED OF EXCEPT (A) PURSUANT TO AN EFFECTIVE REGISTRATION STATEMENT UNDER THE SECURITIES ACT OF 1933, AS AMENDED (THE "ACT"), AND STATE SECURITIES LAWS OR (B) IF THE CORPORATION HAS BEEN FURNISHED WITH A SATISFACTORY OPINION OF COUNSEL FOR THE HOLDER OF THE SHARES REPRESENTED HEREBY, OR OTHER EVIDENCE SATISFACTORY TO THE CORPORATION, THAT SUCH TRANSFER, SALE, ASSIGNMENT, PLEDGE, HYPOTHECATION OR OTHER DISPOSITION IS EXEMPT FROM THE PROVISIONS OF SECTION 5 OF THE ACT AND STATE SECURITIES LAWS AND THE RULES AND REGULATIONS THEREUNDER.

(ii) In the event of an exchange of Series E Preferred Units for Series E Preferred Shares, an amount equal to the accrued and unpaid distributions to the date of exchange on any Series E Preferred Units tendered for exchange shall (i) accrue on the Series E Preferred Shares into which such Series E Preferred Units are exchanged, and (ii) continue to accrue on such Series E Preferred Units, which shall remain outstanding following such exchange, with the General Partner as the holder of such Series E Preferred Units. Notwithstanding anything to the contrary set forth herein, in no event shall a Holder of a Series E Preferred Unit that was validly exchanged for Series E Preferred Shares pursuant to this Section (other than the General Partner holding such Series E Preferred Unit following any such exchange), receive a distribution out of Available Cash of the Partnership, if such Holder, after exchange, is entitled to receive a distribution with respect to the Series E Preferred Shares for

which such Series E Preferred Unit was exchanged or redeemed. Further, for purposes of the foregoing, in the event of an exchange of Series E Preferred Units for Series E Preferred Shares, if the accrued and unpaid distributions per Series E Preferred Unit is not the same for each Series E Preferred Unit, the accrued and unpaid distributions per Series E Preferred Unit for each such Series E Preferred Unit shall be equal to the greatest amount of such accrued and unpaid distributions per Series E Preferred Unit on any such unit.

(iii) Fractional Series E Preferred Shares are not to be issued upon exchange but, in lieu thereof, the General Partner will pay a cash adjustment based upon the fair market value of the Series E Preferred Shares on the day prior to the exchange date as determined in good faith by the board of directors of the General Partner.

C. Adjustment of Series E Exchange Price. In case AMB shall be a party to any transaction (including, without limitation, a merger, consolidation, statutory share exchange, tender offer for all or substantially all of AMB's capital stock or sale of all or substantially all of AMB's assets), in each case as a result of which the Series E Preferred Shares will be converted into the right to receive shares of capital stock, other securities or other property (including cash or any combination thereof), each Series E Preferred Unit will thereafter be exchangeable into the kind and amount of shares of capital stock and other securities and property receivable (including cash or any combination thereof) upon the consummation of such transaction by a holder of that number of Series E Preferred Shares or fraction thereof into which one Series E Preferred Unit was exchangeable immediately prior to such transaction. AMB may not become a party to any such transaction unless the terms thereof are consistent with the foregoing. AMB and the Operating Partnership further agree that, notwithstanding any transaction to which either may be a party (including, without limitation, any merger, consolidation, statutory share exchange, tender offer for all or substantially all of such entity's capital stock or partnership interests or sale of all or substantially all of such entity's assets), immediately following any such transaction, the issuer or issuers of any shares of capital stock and other securities into which the Series E Preferred Units shall be exchangeable pursuant to this Section 18.8 shall be the same issuer or issuers of shares of capital stock and other securities into which (i) the Series B Preferred Units are then exchangeable (or, if the Series B Preferred Units have previously been redeemed in full, would have been then exchangeable if then still outstanding), and (ii) the Series D Preferred Units are then exchangeable (or, if the Series D Preferred Units have previously been redeemed in full, would have been then

exchangeable if then still outstanding).

Section 18.9. No Conversion Rights

The Series E Preferred Units shall not be convertible into any other class or series of interest in the Partnership.

Section 18.10. No Sinking Fund

No sinking fund shall be established for the retirement or redemption of Series E Preferred Units.

ARTICLE 19.
SERIES F PREFERRED UNITS

Section 19.1. Designation and Number

A series of Partnership Units in the Partnership designated as the 7.95% Series F Cumulative Redeemable Preferred Units (the "Series F Preferred Units") is hereby established. The number of Series F Preferred Units shall be 397,439.

Section 19.2. Ranking

The Series F Preferred Units shall, with respect to distribution rights and rights upon voluntary or involuntary liquidation, winding up or dissolution of the Partnership, rank (i) senior to the Common Units and to all Partnership Units the terms of which provide that such Partnership Units shall rank junior to the Series F Preferred Units; (ii) on a parity with the Series D Preferred Units, the Series E Preferred Units and all other Parity Preferred Units; and (iii) junior to all Partnership Units which rank senior to the Series F Preferred Units.

Section 19.3. Distributions

A. Payment of Distributions. Subject to the rights of holders of Parity Preferred Units as to the payment of distributions (including pursuant to Sections 5.1, 17.3A, 18.3A, 21.3A and 22.3A hereof), holders of Series F Preferred Units will be entitled to receive, when, as and if declared by the Partnership acting through the General Partner, out of Available Cash, cumulative preferential cash distributions in an amount equal to the Series F Priority Return. Such distributions will be payable (A) quarterly (such quarterly periods for purposes of payment and accrual will be the quarterly periods ending on the dates specified in this sentence and not calendar year quarters) in arrears, on the 15th day of January, April, July and October of each year and (B) in the event of (i) an exchange of Series F Preferred Units into Series F Preferred Shares, or (ii) a redemption of Series F Preferred Units, on the exchange date or redemption date, as applicable (each a "Series F Preferred Unit Distribution Payment Date"), commencing on the first of such payment dates to occur following their original date of issuance. If any date on which distributions are to be made on the Series F Preferred Units is not a Business Day, then payment of the distribution to be made on such date will be made on the next succeeding day that is a Business Day (and without any interest or other payment in respect of any such delay) except that, if such Business Day is in the next succeeding calendar year, such payment shall be made on the immediately preceding Business Day, in each case with the same force and effect as if made on such date. Distributions on the Series F Preferred Units will be made to the holders of record of the Series F Preferred Units on the relevant record dates, which will be fifteen (15) days prior to the relevant Series F Preferred Unit Distribution Payment Date (the "Series F Preferred Unit Partnership Record Date"). For purposes of clarifying the relative distribution priority rights among the Series I Preferred Units, Series H Preferred Units, the Series F Preferred Units, the Series E Preferred Units and the Series D Preferred Units, the payment of distributions with respect to a series of such Preferred Units prior to the payment of distributions with respect to another such series of Preferred Units, solely as a result of the distribution payment dates with respect to a series of Preferred Units occurring on a different

date from another series of Preferred Units, shall not be deemed to create a priority in favor of one series of Preferred Units over any other series of Preferred Units.

B. Distributions Cumulative. Notwithstanding the foregoing, distributions on the Series F Preferred Units will accrue whether or not the terms and provisions of any agreement of the Partnership at any time prohibit the current payment of distributions, whether or not the Partnership has earnings, whether or not there are funds legally available for the payment of such of such distributions and whether or not such distributions are authorized. Accrued but unpaid distributions on the Series F Preferred Units will accumulate as of the Preferred Unit Distribution Payment Date on which they first become

payable.

C. Priority as to Distributions. (i) So long as any Series F Preferred Units are outstanding, no distribution of cash or other property shall be authorized, declared, paid or set apart for payment on or with respect to any class or series of Partnership Interest represented by Junior Units, nor shall any Junior Units or Parity Preferred Units be redeemed, purchased or otherwise acquired for any consideration (or any monies be paid to or made available for a sinking fund for the redemption of any such Junior Units or Parity Preferred Units) by the Partnership (except by conversion into or exchange for other Junior Units or Parity Preferred Units, as the case may be) unless, in each case, full cumulative distributions have been or contemporaneously are authorized and paid or authorized and a sum sufficient for the payment thereof set apart for such payment on the Series F Preferred Units and all classes and series of outstanding Parity Preferred Units for all distribution periods. The foregoing sentence will not prohibit (a) distributions payable solely in Junior Units, (b) the exchange of Junior Units or Parity Preferred Units into Partnership Interests of the Partnership ranking junior to the Series F Preferred Units as to distributions and upon voluntary and involuntary liquidation, dissolution or winding up of the Partnership, or (c) distributions necessary to enable the Operating Partnership to redeem partnership interests corresponding to Series F Preferred Shares and any Parity Preferred Stock with respect to distributions or Junior Stock to be purchased by AMB pursuant to the REIT Charter to preserve AMB's status as a REIT; provided that such redemption shall be upon the same terms as the corresponding stock purchase pursuant to the REIT Charter.

(ii) So long as distributions have not been paid in full (or a sum sufficient for such full payment is not so set apart) upon the Series F Preferred Units and any other Parity Preferred Units, all distributions authorized and declared on the Series F Preferred Units and all classes or series of outstanding Parity Preferred Units shall be authorized and declared pro rata so that the amount of distributions authorized and declared per Series F Preferred Unit and such other classes or series of Parity Preferred Units shall in all cases bear to each other the same ratio that accrued distributions per Series F Preferred Unit and such other classes or series of Parity Preferred Units (which shall not include any accumulation in respect of unpaid distributions for prior distribution periods if such class or series of Parity Preferred Units do not have cumulative distribution rights) bear to each other. No interest, or sum of money in lieu of interest, shall be payable in respect of any distributions or payments on Series F Preferred Units which may be in arrears.

(iii) Notwithstanding anything to the contrary set forth herein, distributions on Partnership Interests held by either (a) the General Partner, (b) the Operating Partnership or (c) any other holder of Partnership Interests in the Partnership, in each case ranking junior to or on parity with the Series F Preferred Units may be made, without preserving the priority of

distributions described in Sections 19.3.C(i) and (ii), but only to the extent such distributions are required to preserve the REIT status of AMB, in its capacity as sole general partner of the Operating Partnership and as sole stockholder of the General Partner, and in the case of any holder other than the General Partner only to the extent required by the Partnership Agreement; provided, that the Partnership shall not be disproportionately burdened by this provision relative to the cash flow generated by other assets owned directly or indirectly by AMB.

D. No Further Rights. Holders of Series F Preferred Units shall not be entitled to any distributions, whether payable in cash, other property or otherwise, in excess of the full cumulative distributions described herein.

Section 19.4. Liquidation Proceeds

A. Distributions. Upon voluntary or involuntary liquidation, dissolution or winding-up of the Partnership, distributions on the Series F Preferred Units shall be made in accordance with Article 13 of this Agreement.

B. Notice. Written notice of any such voluntary or involuntary liquidation, dissolution or winding-up of the Partnership, stating the payment date or dates when, and the place or places where, the amounts distributable in such circumstances shall be payable, shall be given by the General Partner pursuant to Section 13.6 hereof.

C. No Further Rights. After payment of the full amount of the liquidating distributions to which they are entitled, Holders of Series F Preferred Units will have no right or claim to any of the remaining assets of the Partnership.

D. Consolidation, Merger or Certain Other Transactions. None of a consolidation or merger of the Partnership with or into another entity, a merger of another entity with or into the Partnership, or a sale, lease, transfer or

conveyance of all or substantially all of the Partnership's property or business shall be considered a liquidation, dissolution or winding up of the Partnership.

Section 19.5. Series F Redemption

A. Series F Redemption. The Series F Preferred Units may not be redeemed prior to March 22, 2005. On or after such date, the Partnership shall have the right to redeem the Series F Preferred Units, in whole or in part, at any time or from time to time, upon not less than 30 nor more than 60 days' written notice, at a redemption price, payable in cash (a "Series F Redemption"), equal to the Capital Account balance of the holder of Series F Preferred Units (the "Series F Redemption Price"); provided, however, that no redemption pursuant to this Section 19.5 will be permitted if the Series F Redemption Price does not equal or exceed the original Capital Contribution of such holder plus the cumulative Series F Priority Return to the redemption date to the extent not previously distributed. If fewer than all of the outstanding Series F Preferred Units are to be redeemed, the Series F Preferred Units to be redeemed shall be selected pro rata (as nearly as practicable without creating fractional units).

B. Limitation on Series F Redemption. (i) The Series F Redemption Price of the Series F Preferred Units (other than the portion thereof consisting of accumulated but unpaid distributions) is payable solely out of the sale proceeds of capital stock of AMB, which will be

contributed by AMB to the General Partner or the Operating Partnership and which in turn will be contributed by the General Partner or the Operating Partnership to the Partnership as an additional capital contribution, or out of the sale of limited partner interests in the Partnership or the Operating Partnership and from no other source. For purposes of the preceding sentence, "capital stock" means any equity securities (including Common Stock and Preferred Stock (as such terms are defined in the REIT Charter), depository shares, interests, participation or other ownership interests (however designated) and any rights (other than debt securities convertible into or exchangeable for equity securities) or options to purchase any of the foregoing.

(ii) The Partnership may not redeem fewer than all of the outstanding Series F Preferred Units unless all accumulated and unpaid distributions have been paid on all Series F Preferred Units for all quarterly distribution periods terminating on or prior to the date of redemption.

C. Procedures for Series F Redemption. (i) Notice of redemption will be (i) faxed, and (ii) mailed by the Partnership, by certified mail, postage prepaid, not less than 30 nor more than 60 days prior to the redemption date, addressed to the respective holders of record of the Series F Preferred Units at their respective addresses as they appear on the records of the Partnership. No failure to give or defect in such notice shall affect the validity of the proceedings for the redemption of any Series F Preferred Units except as to the holder to whom such notice was defective or not given. In addition to any information required by law, each such notice shall state: (a) the redemption date, (b) the Series F Redemption Price, (c) the aggregate number of Series F Preferred Units to be redeemed and if fewer than all of the outstanding Series F Preferred Units are to be redeemed, the number of Series F Preferred Units to be redeemed held by such holder, which number shall equal such holder's pro rata share (based on the percentage of the aggregate number of outstanding Series F Preferred Units that the total number of Series F Preferred Units held by such holder represents) of the aggregate number of Series F Preferred Units to be redeemed, (d) the place or places where such Series F Preferred Units are to be surrendered for payment of the Series F Redemption Price, (e) that distributions on the Series F Preferred Units to be redeemed will cease to accumulate on such redemption date and (f) that payment of the Series F Redemption Price will be made upon presentation and surrender of such Series F Preferred Units.

(ii) If the Partnership gives a notice of redemption in respect of Series F Preferred Units (which notice will be irrevocable) then, by 12:00 noon, New York City time, on the redemption date, the Partnership will deposit irrevocably in trust for the benefit of the Series F Preferred Units being redeemed funds sufficient to pay the applicable Series F Redemption Price and will give irrevocable instructions and authority to pay such Series F Redemption Price to the holders of the Series F Preferred Units upon surrender of the Series F Preferred Units by such holders at the place designated in the notice of redemption. On and after the date of redemption, distributions will cease to accumulate on the Series F Preferred Units or portions thereof called for redemption, unless the Partnership defaults in the payment thereof. If any date fixed for redemption of Series F Preferred Units is not a Business Day, then payment of the Series F Redemption Price payable on such date will be made on the next succeeding day that is a Business Day (and without any interest or other payment in respect of any such delay) except that, if such Business Day falls in the next calendar year, such payment will be made on the immediately preceding Business Day, in each case with the same force and effect as if made on such date fixed for redemption. If payment of the Series F Redemption Price is improperly

withheld or refused and not paid by the Partnership, distributions on such Series F Preferred Units will continue to accumulate from the original redemption date to the date of payment, in which case the actual payment date will be considered the date fixed for redemption for purposes of calculating the applicable Series F Redemption Price.

Section 19.6. Voting and Certain Management Rights

A. General. Holders of the Series F Preferred Units will not have any voting rights or right to consent to any matter requiring the consent or approval of the Limited Partners, except as set forth below and in Section 7.3.E.

B. Certain Voting Rights. So long as any Series F Preferred Units remains outstanding, the Partnership shall not, without the affirmative vote of the holders of at least two-thirds of the Series F Preferred Units outstanding at the time (i) authorize or create, or increase the authorized or issued amount of, any class or series of Partnership Interests ranking prior to the Series F Preferred Units with respect to payment of distributions or rights upon liquidation, dissolution or winding-up or reclassify any Partnership Interests of the Partnership into any such Partnership Interest, or create, authorize or issue any obligations or security convertible into or evidencing the right to purchase any such Partnership Interests, (ii) authorize or create, or increase the authorized or issued amount of any Parity Preferred Units or reclassify any Partnership Interest of the Partnership into any such Partnership Interest or create, authorize or issue any obligations or security convertible into or evidencing the right to purchase any such Partnership Interests but only to the extent such Parity Preferred Units are issued to an affiliate of the Partnership, other than AMB or the Operating Partnership to the extent the issuance of such interests was to allow AMB or the Operating Partnership to issue corresponding preferred stock or preferred interests to persons who are not affiliates of the Partnership (other than AMB to the extent AMB issues corresponding preferred stock to persons who are not affiliates of the Partnership or the Operating Partnership) or (iii) either consolidate, merge into or with, or convey, transfer or lease its assets substantially as an entirety to, any corporation or other entity or amend, alter or repeal the provisions of the Partnership Agreement (including, without limitation, this Article 19 and Section 11.2), whether by merger, consolidation or otherwise, in each case in a manner that would materially and adversely affect the powers, special rights, preferences, privileges or voting power of the Series F Preferred Units or the holders thereof; provided, however, that with respect to the occurrence of any event set forth in (iii) above, so long as (a) the Partnership is the surviving entity and the Series F Preferred Units remain outstanding with the terms thereof unchanged, or (b) the resulting, surviving or transferee entity is a partnership, limited liability company or other pass-through entity organized under the laws of any state and substitutes the Series F Preferred Units for other interests in such entity having substantially the same terms and rights as the Series F Preferred Units, including with respect to distributions, voting rights and rights upon liquidation, dissolution or winding-up, then the occurrence of any such event shall not be deemed to materially and adversely affect such rights, privileges or voting powers of the holders of the Series F Preferred Units; and provided further, that any increase in the amount of Partnership Interests or the creation or issuance of any other class or series of Partnership Interests represented by Junior Units or Parity Preferred Units that are not issued to an affiliate of the Partnership, other than the General Partner or the Operating Partnership to the extent the issuance of such interests was to allow the General Partner or the Operating Partnership to issue corresponding preferred stock or preferred interests to persons who are not affiliates of the Partnership (other than AMB to the extent AMB issues

corresponding preferred stock or preferred interests to persons who are not affiliates of the Partnership or the Operating Partnership), shall not be deemed to materially and adversely affect such rights, preferences, privileges or voting powers.

C. So long as any Series F Preferred Units remain outstanding, the General Partner shall not, without the affirmative vote of the holders of at least two-thirds of the Series F Preferred Units outstanding at the time, take any action which would result in the termination of the right of the holders of such units to effect an exchange pursuant to Section 19.8; provided however, no such vote shall be required so long as the Series F Preferred Units (or any interests substituted therefore pursuant to Section 19.6.B) remain outstanding and are exchangeable for Series F Preferred Shares or stock in another entity having substantially the same terms and rights as the Series F Preferred Shares.

D. Notwithstanding anything to the contrary contained in this Agreement, including, without limitation, the provisions of Article 7 regarding the management rights and responsibilities of the General Partner, whenever distributions on any Series F Preferred Units shall remain unpaid for six or

more quarterly periods (i.e., the quarterly periods ending on the 15th day of each January, April, July and October, or, if not a business day, the next succeeding business day, beginning with the quarterly period ending April 15, 2000) (whether or not consecutive), the holders of 51% of either (i) such Series F Preferred Units, in the event that the holders of the Series D Preferred Units, Series E Preferred Units, Series H Preferred Units and Series I Preferred Units are not entitled to exercise management rights pursuant to Section 17.6D, Section 18.6.D, Section 21.6.D and Section 22.6.D, respectively, and that no Future Parity Preferred Unitholders are entitled to exercise management rights similar to those to which the holders of Series D Preferred Units, Series E Preferred Units, Series F Preferred Units, Series H Preferred Units and Series I Preferred Units are entitled to exercise pursuant to Section 17.6D, Section 18.6.D, this Section 19.6.D, Section 21.6.D and Section 22.6.D, respectively, or (ii) the Parity Preferred Capital, in the event that holders of Series D Preferred Units, Series E Preferred Units, Series H Preferred Units and Series I Preferred Units are entitled to exercise management rights pursuant to Section 17.6D, Section 18.6.D, Section 21.6.D or Section 22.6.D, respectively, or Future Parity Preferred Unitholders are entitled to exercise management rights similar to those to which the holders of Series D Preferred Units, Series E Preferred Units, Series F Preferred Units, Series H Preferred Units and Series I Preferred Units are entitled to exercise pursuant to Section 17.6D, Section 18.6.D, this Section 19.6.D, Section 21.6.D, and Section 22.6.D, respectively, shall be entitled to assume rights to manage the Partnership and perform actions related thereto for the sole purpose of enforcing the Partnership's rights and remedies as against obligees of the Partnership or other Persons from whom the Partnership may be entitled to receive cash or other assets, until all distributions accumulated on the Series F Preferred Units for all past quarterly periods and the distribution for the then-current quarterly period shall have been fully-paid or declared and a sum sufficient for the payment thereof irrevocably set aside in trust for payment in full; provided, however, that no such holder or holders of Series F Preferred Units may at any time take any action (or fail to take any action) if the consequence of such action (or inaction) would be (i) to cause AMB to fail to qualify as a REIT for federal or applicable state income tax purposes or (ii) to cause the Partnership or the Operating Partnership to fail to qualify as a partnership for federal or applicable state income tax purposes, or (iii) to cause the Partnership, the Operating Partnership, the General Partner, or AMB to be considered an "investment company" as defined in, or otherwise be subject to regulation under, the Investment Company Act of 1940, as amended; and provided, further, that solely for purposes of

exercising the management rights set forth in this Section 19.6.D, each holder of Series F Preferred Units shall be deemed an Indemnitee, and shall be entitled to the benefits of the indemnification provisions of Section 7.7 with respect to any and all action(s) taken (or failure(s) to act) by a holder of Series F Preferred Units in the exercise of (or failure(s) to exercise) the management rights described in this Section 19.6.D, including, without limitation, alleged breaches of the General Partner's fiduciary duty to the Partners; and provided further, that the holders of the Series F Preferred Units acknowledge and agree that the General Partner and the Partnership have provided similar management rights to the holders of the Series D Preferred Units and the Series E Preferred Units and shall be entitled to provide similar management rights to Future Parity Preferred Unitholders.

Section 19.7. Transfer Restrictions

The Series F Preferred Units shall be subject to the provisions of Article 11 hereof. Notwithstanding any provision to the contrary herein, no transfer of Series F Preferred Units, or other action by the holder or holders of such Units, is permitted without the consent of the General Partner which consent may be given or withheld in its sole and absolute discretion, if such transfer or other action would result in more than four partners holding all outstanding Series F Preferred Units within the meaning of Treasury Regulation Section 1.7704-1(h)(1)(ii) (without regard to Treasury Regulation Section 1.7704-1(h)(3)(ii)); provided, however, that the General Partner's consent may not be unreasonably withheld if (a) such transfer or other action would not result in more than ten partners holding all outstanding Series F Preferred Units within the meaning of Treasury Regulation Section 1.7704-1(h)(1)(ii) (without regard to Treasury Regulation Section 1.7704-1(h)(3)(ii)) and (b) the General Partner cannot rely on Treasury Regulation Section 1.7704-1(h). In addition, no transfer may be made to any person if such transfer would cause the exchange of the Series F Preferred Units for Series F Preferred Shares, as provided herein, to be required to be registered under the Securities Act of 1933, as amended, or any state securities laws.

Section 19.8. Exchange Rights

A. Right to Exchange. (i) Series F Preferred Units will be exchangeable in whole but not in part unless expressly otherwise provided herein at anytime on or after March 22, 2010, at the option of 51% of the holders of all outstanding Series F Preferred Units, for authorized but previously unissued Series F Preferred Shares at an exchange rate of one Series F Preferred Share

from AMB for one Series F Preferred Unit, subject to adjustment as described below (the "Series F Exchange Price"); provided that the Series F Preferred Units will become exchangeable at any time, in whole but not in part unless expressly otherwise provided herein, at the option of 51% of the holders of all outstanding Series F Preferred Units for Series F Preferred Shares if (y) at any time full distributions shall not have been timely made on any Series F Preferred Unit with respect to six (6) prior quarterly distribution periods, whether or not consecutive; provided, however, that a distribution in respect of Series F Preferred Units shall be considered timely made if made within two (2) Business Days after the applicable Series F Preferred Unit Distribution Payment Date if at the time of such late payment there shall not be any prior quarterly distribution periods in respect of which full distributions were not timely made or (z) upon receipt by a holder or holders of Series F Preferred Units of (A) notice from the General Partner that the General Partner or a Subsidiary of the General Partner has taken the position that the Partnership is, or upon the consummation of an identified event in the

immediate future will be, a PTP and (B) an opinion rendered by independent counsel familiar with such matters addressed to a holder or holders of Series F Preferred Units, that the Partnership is or likely is, or upon the occurrence of a defined event in the immediate future will be or likely will be, a PTP.

In addition, the Series F Preferred Units may be exchanged for Series F Preferred Shares, in whole but not in part unless expressly otherwise provided herein, at the option of 51% of the holders of all outstanding Series F Preferred Units after March 22, 2003 and prior to March 22, 2010 if such holders of a Series F Preferred Units shall deliver to the General Partner either (i) a private letter ruling addressed to such holder of Series F Preferred Units or (ii) an opinion of independent counsel reasonably acceptable to the General Partner based on a change in statute, the enactment of temporary or final Treasury Regulations or the publication of a Revenue Ruling or any other IRS release, in either case to the effect that an exchange of the Series F Preferred Units at such earlier time would not cause the Series F Preferred Units to be considered "stock and securities" within the meaning of Section 351(e) of the Code for purposes of determining whether the holder of such Series F Preferred Units is an "investment company" under Section 721(b) of the Code if an exchange is permitted at such earlier date.

In addition, Series F Preferred Units will become exchangeable in whole but not in part unless expressly otherwise provided herein, at the option of 51% of the holders of all outstanding Series F Preferred Units for Series F Preferred Shares at an exchange rate of one Series F Preferred Share from AMB for one Series F Preferred Unit if, (i) at any time such holders conclude based on results or projected results that there exists (in the reasonable judgment of such holders) an imminent and substantial risk that such holders' interest in the Partnership represents or will represent more than 19.0% of the total profits of or capital interests in the Partnership for a taxable year, (ii) such holders deliver to the General Partner an opinion of independent counsel, reasonably acceptable to the General Partner to the effect that there is a substantial risk that their interest in the Partnership does not or will not satisfy the 19.0% limit and (iii) the General Partner agrees with the conclusions referred to in clauses (i) and (ii) of this sentence, such agreement not to be unreasonably withheld.

Furthermore, Series F Preferred Units will become exchangeable in whole but not in part unless expressly otherwise provided herein, at the option of 51% of the holders of all outstanding Series F Preferred Units for Series F Preferred Shares at an exchange rate of one Series F Preferred Share from AMB for one Series F Preferred Unit if (i) the Series F Preferred Units are held by a REIT and (ii) excluding the effect of any loans and advances, from time to time, from the Partnership to the Operating Partnership or any other affiliate or related entity not exceeding 15% of the Partnership's total assets, for purposes of the 5% test of Section 856(c)(4)(B) of the Code, either (A) the Partnership is advised by independent counsel that, based on the assets and income of the Partnership for a taxable year after 1998, the Partnership would not satisfy the income and assets tests of Section 856 of the Code for such taxable year if the Partnership were a real estate investment trust within the meaning of the Code; or (B) the holder of the Series F Preferred Units shall deliver to the General Partner an opinion of independent counsel reasonably acceptable to the General Partner to the effect that, based on the assets and income of the Partnership for a taxable year after 1999, the Partnership would not satisfy the income and assets tests of Section 856 of the Code for such taxable year if the Partnership were a real estate investment trust within the meaning of the Code and that such

failure would create a meaningful risk that the holder of the Series F Preferred Units would fail to maintain its qualification as a real estate investment trust.

(ii) Notwithstanding anything to the contrary set forth in Section 19.8.A(i), if a Series F Exchange Notice (as defined herein) has been delivered to AMB and the General Partner, then the General Partner may, at its option, within ten (10) Business Days after receipt of the Series F Exchange Notice, elect to cause the Partnership to redeem all or a portion of the outstanding Series F Preferred Units for cash in an amount equal to the original Capital Contribution per Series F Preferred Unit and all accrued and unpaid distributions thereon to the date of redemption. If the General Partner elects to redeem fewer than all of the outstanding Series F Preferred Units, the number of Series F Preferred Units held by each holder to be redeemed shall equal such holder's pro rata share (based on the percentage of the aggregate number of outstanding Series F Preferred Units that the total number of Series F Preferred Units held by such holder represents) of the aggregate number of Series F Preferred Units being redeemed.

(iii) In the event an exchange of all Series F Preferred Units pursuant to Section 19.8.A would violate the provisions on ownership limitation of AMB set forth in Section 7 of Article Third of the Series F Articles Supplementary, each holder of Series F Preferred Units shall be entitled to exchange, pursuant to the provisions of Section 19.8.B, a number of Series F Preferred Units which would comply with the provisions on the ownership limitation of AMB set forth in such Section 7 of Article Third of the Series F Articles Supplementary, with respect to such holder, and any Series F Preferred Units not so exchanged (the "Series F Excess Units") shall be redeemed by the Partnership for cash in an amount equal to the original Capital Contribution per Series F Excess Unit, plus any accrued and unpaid distributions thereon to the date of redemption subject to any restriction thereon contained in any debt instrument or agreement of the Partnership. In the event an exchange would result in Series F Excess Units, as a condition to such exchange, each holder of such units agrees to provide representations and covenants reasonably requested by AMB relating to (i) the widely held nature of the interests in such holder, sufficient to assure AMB that the holder's ownership of stock of AMB (without regard to the limits described above) will not cause any individual to own in excess of 9.0% of the stock of AMB; and (ii) to the extent such Holder can so represent and covenant without obtaining information from its owners (other than one or more direct or indirect parent corporations, limited liability companies or partnerships and not the holders of any interests in any such parent), the Holder's ownership of tenants of the Partnership and its affiliates. For purposes of determining the number of Series F Excess Units under this Section 19.8.A(iii), the "Ownership Limit" set forth in the Series F Articles Supplementary shall be deemed to be 9.0%. To the extent the Partnership would not be able to pay the cash set forth above in exchange for the Series F Excess Units, and to the extent consistent with the REIT Charter, AMB agrees that it will grant to the holders of the Series F Preferred Units exceptions to the Ownership Limit set forth in the Series F Articles Supplementary sufficient to allow such Holders to exchange all of their Series F Preferred Units for Series F Preferred Shares; provided such holders furnish to AMB representations acceptable to AMB in its sole and absolute discretion which assure AMB that such exceptions will not jeopardize AMB's tax status as a REIT for purposes of federal and applicable state law. Notwithstanding any provision of this Agreement to the contrary, no Series F Limited Partner shall be entitled to effect an exchange of Series F Preferred Units for Series F Preferred Shares to the extent that ownership or right to acquire such shares would cause the Partner or any other Person or, in the opinion of counsel selected by AMB, may cause the

Partner or any other Person, to violate the restrictions on ownership and transfer of Series F Preferred Shares set forth in the REIT Charter. To the extent any such attempted exchange for Series F Preferred Shares would be in violation of the previous sentence, it shall be void ab initio and such Series F Limited Partner shall not acquire any rights or economic interest in the Series F Preferred Shares otherwise issuable upon such exchange.

(iv) The redemption of Series F Preferred Units described in Section 19.8.A(ii) and (iii) shall be subject to the provisions of Section 19.5.B(i) and Section 19.5.C(ii); provided, however, that the term "Series F Redemption Price" in such Sections 19.5.B(i) and 19.5.C(ii) shall be read to mean the original Capital Contribution per Series F Preferred Unit being redeemed as set forth on Exhibit A plus all accrued and unpaid distributions to the redemption date.

B. Procedure for Exchange of Series F Preferred Units and/or Series F Redemption.

(i) Any exchange shall be exercised pursuant to a notice of exchange (the "Series F Exchange Notice") delivered to AMB and the General Partner by the Partners representing at least 51% of the outstanding Series F Preferred Units (or by the Series F Contributor in the case of an exchange pursuant to the last sentence of Section 19.8.A.(i) hereof) by (a) fax and (b) by certified mail postage prepaid. AMB may effect any exchange of Series F Preferred Units, or the General Partner may exercise its option to cause the Partnership to redeem any portion of the Series F Preferred Units for cash pursuant to Section 19.8.A(ii) or redeem Series F Excess Units pursuant to Section 19.8.A(iii), by delivering to each holder of record of Series F Preferred Units, within ten (10) Business

Days following receipt of the Series F Exchange Notice, (a) if the General Partner elects to cause the Partnership to acquire any of the Series F Preferred Units then outstanding, (1) certificates representing the Series F Preferred Shares being issued in exchange for the Series F Preferred Units of such holder being exchanged and (2) a written notice (a "Series F Redemption Notice") stating (A) the redemption date, which may be the date of such Series F Redemption Notice or any other date which is not later than sixty (60) days following the receipt of the Series F Exchange Notice, (B) the redemption price, (C) the place or places where the Series F Preferred Units are to be surrendered and (D) that distributions on the Series F Preferred Units will cease to accrue on such redemption date, or (b) if the General Partner elects to cause the Partnership to redeem all of the Series F Preferred Units then outstanding in exchange for cash, a Series F Redemption Notice. Series F Preferred Units which are redeemed shall be deemed canceled (and any corresponding Partnership Interest represented thereby deemed terminated) on the redemption date. Holders of Series F Preferred Units shall deliver any canceled certificates representing Series F Preferred Units which have been exchanged or redeemed to the office of the General Partner (which currently is located at Pier 1, Bay 1, San Francisco, California 94111) within ten (10) Business Days of the exchange or redemption with respect thereto. Notwithstanding anything to the contrary contained herein, any and all Series F Preferred Units to be exchanged for Series F Preferred Shares pursuant to this Section 19.8 shall be so exchanged in a single transaction at one time. As a condition to exchange, AMB may require the holders of Series F Preferred Units to make such representations as may be reasonably necessary for the General Partner to establish that the issuance of Series F Preferred Shares pursuant to the exchange shall not be required to be registered under the Securities Act or any state securities laws. Any Series F Preferred Shares issued pursuant to this Section 19.8 shall be delivered as shares which are duly authorized, validly issued, fully paid and

nonassessable, free of any pledge, lien, encumbrance or restriction other than those provided in the REIT Charter, the Bylaws of AMB, the Securities Act and relevant state securities or blue sky laws.

The certificates representing the Series F Preferred Shares issued upon exchange of the Series F Preferred Units shall contain the following legend:

> THE SHARES REPRESENTED BY THIS CERTIFICATE MAY NOT BE TRANSFERRED, SOLD, ASSIGNED, PLEDGED, HYPOTHECATED OR OTHERWISE DISPOSED OF EXCEPT (A) PURSUANT TO AN EFFECTIVE REGISTRATION STATEMENT UNDER THE SECURITIES ACT OF 1933, AS AMENDED (THE "ACT"), AND STATE SECURITIES LAWS OR (B) IF THE CORPORATION HAS BEEN FURNISHED WITH A SATISFACTORY OPINION OF COUNSEL FOR THE HOLDER OF THE SHARES REPRESENTED HEREBY, OR OTHER EVIDENCE SATISFACTORY TO THE CORPORATION, THAT SUCH TRANSFER, SALE, ASSIGNMENT, PLEDGE, HYPOTHECATION OR OTHER DISPOSITION IS EXEMPT FROM THE PROVISIONS OF SECTION 5 OF THE ACT AND STATE SECURITIES LAWS AND THE RULES AND REGULATIONS THEREUNDER.

(ii) In the event of an exchange of Series F Preferred Units for Series F Preferred Shares, an amount equal to the accrued and unpaid distributions to the date of exchange on any Series F Preferred Units tendered for exchange shall (i) accrue on the Series F Preferred Shares into which such Series F Preferred Units are exchanged, and (ii) continue to accrue on such Series F Preferred Units, which shall remain outstanding following such exchange, with the General Partner as the holder of such Series F Preferred Units. Notwithstanding anything to the contrary set forth herein, in no event shall a Holder of a Series F Preferred Unit that was validly exchanged for Series F Preferred Shares pursuant to this Section (other than the General Partner holding such Series F Preferred Unit following any such exchange), receive a distribution out of Available Cash of the Partnership, if such Holder, after exchange, is entitled to receive a distribution with respect to the Series F Preferred Shares for which such Series F Preferred Unit was exchanged or redeemed. Further, for purposes of the foregoing, in the event of an exchange of Series F Preferred Units for Series F Preferred Shares, if the accrued and unpaid distributions per Series F Preferred Unit is not the same for each Series F Preferred Unit, the accrued and unpaid distributions per Series F Preferred Unit for each such Series F Preferred Unit shall be equal to the greatest amount of such accrued and unpaid distributions per Series F Preferred Unit on any such unit.

(iii) Fractional Series F Preferred Shares are not to be issued upon exchange but, in lieu thereof, the General Partner will pay a cash adjustment based upon the fair market value of the Series F Preferred Shares on the day prior to the exchange date as determined in good faith by the board of directors of the General Partner.

C. Adjustment of Series F Exchange Price. In case AMB shall be a party to any transaction (including, without limitation, a merger, consolidation, statutory share exchange,

tender offer for all or substantially all of AMB's capital stock or sale of all or substantially all of AMB's assets), in each case as a result of which the Series F Preferred Shares will be converted into the right to receive shares of capital stock, other securities or other property (including cash or any combination thereof), each Series F Preferred Unit will thereafter be exchangeable into the kind and amount of shares of capital stock and other securities and property receivable (including cash or any combination thereof) upon the consummation of such transaction by a holder of that number of Series F Preferred Shares or fraction thereof into which one Series F Preferred Unit was exchangeable immediately prior to such transaction. AMB may not become a party to any such transaction unless the terms thereof are consistent with the foregoing. AMB and the Operating Partnership further agree that, notwithstanding any transaction to which either may be a party (including, without limitation, any merger, consolidation, statutory share exchange, tender offer for all or substantially all of such entity's capital stock or partnership interests or sale of all or substantially all of such entity's assets), immediately following any such transaction, the issuer or issuers of any shares of capital stock and other securities into which the Series F Preferred Units shall be exchangeable pursuant to this Section 19.8 shall be the same issuer or issuers of shares of capital stock and other securities into which (i) the Series B Preferred Units are then exchangeable (or, if the Series B Preferred Units have previously been redeemed in full, would have been then exchangeable if then still outstanding), (ii) the Series D Preferred Units are then exchangeable (or, if the Series D Preferred Units have previously been redeemed in full, would have been then exchangeable if then still outstanding) and (iii) the Series E Preferred Units are then exchangeable (or, if the Series E Preferred Units have previously been redeemed in full, would have been then exchangeable if then still outstanding).

Section 19.9. No Conversion Rights

The Series F Preferred Units shall not be convertible into any other class or series of interest in the Partnership.

Section 19.10. No Sinking Fund

No sinking fund shall be established for the retirement or redemption of Series F Preferred Units.

ARTICLE 20.
INTENTIONALLY OMITTED

ARTICLE 21.
SERIES H PREFERRED UNITS

Section 21.1. Designation and Number

A series of Partnership Units in the Partnership designated as the 8.125% Series H Cumulative Redeemable Preferred Units (the "Series H Preferred Units") is hereby established. The number of Series H Preferred Units shall be 840,000.

Section 21.2. Ranking

The Series H Preferred Units shall, with respect to distribution rights and rights upon voluntary or involuntary liquidation, winding up or dissolution of the Partnership, rank (i) senior to the Common Units and to all Partnership Units the terms of which provide that such Partnership Units shall rank junior to the Series H Preferred Units; (ii) on a parity with the Series D Preferred Units, the Series E Preferred Units, the Series F Preferred Units, and all other Parity Preferred Units; and (iii) junior to all Partnership Units which rank senior to the Series H Preferred Units.

Section 21.3. Distributions

A. Payment of Distributions. Subject to the rights of holders of Parity Preferred Units as to the payment of distributions (including pursuant to Sections 5.1, 17.3A, 18.3A, 19.3A, and 22.3A hereof), holders of Series H Preferred Units will be entitled to receive, when, as and if declared by the Partnership acting through the General Partner, out of Available Cash, cumulative preferential cash distributions in an amount equal to the Series H Priority Return. Such distributions will be payable (A) quarterly (such quarterly periods for purposes of payment and accrual will be the quarterly periods ending on the dates specified in this sentence and not calendar year quarters) in arrears, on the 25th day of March, June, September and December of each year and (B) in the event of (i) an exchange of Series H Preferred Units into Series H Preferred Shares, or (ii) a redemption of Series H Preferred Units, on the exchange date or redemption date, as applicable (each a "Series H Preferred Unit Distribution Payment Date"), commencing on the first of such payment dates to occur following their original date of issuance. If any date on which distributions are to be made on the Series H Preferred Units is not a Business Day, then payment of the distribution to be made on such date will be made on the next succeeding day that is a Business Day (and without any interest

or other payment in respect of any such delay) except that, if such Business Day is in the next succeeding calendar year, such payment shall be made on the immediately preceding Business Day, in each case with the same force and effect as if made on such date. Distributions on the Series H Preferred Units will be made to the holders of record of the Series H Preferred Units on the relevant record dates, which will be fifteen (15) days prior to the relevant Series H Preferred Unit Distribution Payment Date (the "Series H Preferred Unit Partnership Record Date"). For purposes of clarifying the relative distribution priority rights among the Series I Preferred Units, Series H Preferred Units, the Series F Preferred Units, the Series E Preferred Units and the Series D Preferred Units, the payment of distributions with respect to a series of such Preferred Units prior to the payment of distributions with respect to another such series of Preferred Units, solely as a result of the distribution payment dates with respect to a series of Preferred Units occurring on a different date from another series of Preferred Units, shall not be deemed to create a priority in favor of one series of Preferred Units over any other series of Preferred Units.

B. Distributions Cumulative. Notwithstanding the foregoing, distributions on the Series H Preferred Units will accrue whether or not the terms and provisions of any agreement of the Partnership at any time prohibit the current payment of distributions, whether or not the Partnership has earnings, whether or not there are funds legally available for the payment of such of such distributions and whether or not such distributions are authorized. Accrued but unpaid distributions on the Series H Preferred Units will accumulate as of the Preferred Unit Distribution Payment Date on which they first become payable.

C. Priority as to Distributions. (i) So long as any Series H Preferred Units are outstanding, no distribution of cash or other property shall be authorized, declared, paid or set apart for payment on or with respect to any class or series of Partnership Interest represented by Junior Units, nor shall any Junior Units or Parity Preferred Units be redeemed, purchased or otherwise acquired for any consideration (or any monies be paid to or made available for a sinking fund for the redemption of any such Junior Units or Parity Preferred Units) by the Partnership (except by conversion into or exchange for other Junior Units or Parity Preferred Units, as the case may be) unless, in each case, full cumulative distributions have been or contemporaneously are authorized and paid or authorized and a sum sufficient for the payment thereof set apart for such payment on the Series H Preferred Units and all classes and series of outstanding Parity Preferred Units for all distribution periods. The foregoing sentence will not prohibit (a) distributions payable solely in Junior Units, (b) the exchange of Junior Units or Parity Preferred Units into Partnership Interests of the Partnership ranking junior to the Series H Preferred Units as to distributions and upon voluntary and involuntary liquidation, dissolution or winding up of the Partnership, or (c) distributions necessary to enable the Operating Partnership to redeem partnership interests corresponding to Series H Preferred Shares and any Parity Preferred Stock with respect to distributions or Junior Stock to be purchased by AMB pursuant to the REIT Charter to preserve AMB's status as a REIT; provided that such redemption shall be upon the same terms as the corresponding stock purchase pursuant to the REIT Charter.

(ii) So long as distributions have not been paid in full (or a sum sufficient for such full payment is not so set apart) upon the Series H Preferred Units and any other Parity Preferred Units, all distributions authorized and declared on the Series H Preferred Units and all classes or series of outstanding Parity Preferred Units shall be authorized and declared pro rata so that the amount of distributions authorized and declared per Series H Preferred Unit and such other classes or series of Parity Preferred Units shall in all cases bear to each other the same ratio that accrued distributions per Series H Preferred Unit and such other classes or series of Parity Preferred Units (which shall not include any accumulation in respect of unpaid distributions for prior distribution periods if such class or series of Parity Preferred Units do not have cumulative distribution rights) bear to each other. No interest, or sum of money in lieu of interest, shall be payable in respect of any distributions or payments on Series H Preferred Units which may be in arrears.

(iii) Notwithstanding anything to the contrary set forth herein, distributions on Partnership Interests held by either (a) the General Partner, (b) the Operating Partnership or (c) any other holder of Partnership Interests in the Partnership, in each case ranking junior to or on parity with the Series H Preferred Units may be made, without preserving the priority of distributions described in Sections 21.3.C(i) and (ii), but only to the extent such distributions are required to preserve the REIT status of AMB, in its capacity as sole general partner of the Operating Partnership and as sole stockholder of the General Partner, and in the case of any holder other than the General Partner only to the extent required by the Partnership Agreement; provided, that the Partnership shall not be disproportionately burdened by this provision relative to the cash flow generated by other assets owned directly or indirectly by AMB.

D. No Further Rights. Holders of Series H Preferred Units shall not be entitled to any distributions, whether payable in cash, other property or otherwise, in excess of the full cumulative distributions described herein.

Section 21.4. Liquidation Proceeds

A. Distributions. Upon voluntary or involuntary liquidation, dissolution or winding-up of the Partnership, distributions on the Series H Preferred Units shall be made in accordance with Article 13 of this Agreement.

B. Notice. Written notice of any such voluntary or involuntary liquidation, dissolution or winding-up of the Partnership, stating the payment date or dates when, and the place or places where, the amounts distributable in such circumstances shall be payable, shall be given by the General Partner pursuant to Section 13.6 hereof.

C. No Further Rights. After payment of the full amount of the liquidating distributions to which they are entitled, Holders of Series H Preferred Units will have no right or claim to any of the remaining assets of the Partnership.

D. Consolidation, Merger or Certain Other Transactions. None of a consolidation or merger of the Partnership with or into another entity, a merger of another entity with or into the Partnership, or a sale, lease, transfer or conveyance of all or substantially all of the Partnership's property or business shall be considered a liquidation, dissolution or winding up of the Partnership.

Section 21.5. Series H Redemption

A. Series H Redemption. The Series H Preferred Units may not be redeemed prior to September 1, 2005. On or after such date, the Partnership shall have the right to redeem the Series H Preferred Units, in whole or in part, at any time or from time to time, upon not less than 30 nor more than 60 days' written notice, at a redemption price, payable in cash (a "Series H Redemption"), equal to the Capital Account balance of the holder of Series H Preferred Units (the "Series H Redemption Price"); provided, however, that no redemption pursuant to this Section 21.5 will be permitted if the Series H Redemption Price does not equal or exceed the original Capital Contribution of such holder plus the cumulative Series H Priority Return to the redemption date to the extent not previously distributed. If fewer than all of the outstanding Series H Preferred Units are to be redeemed, the Series H Preferred Units to be redeemed shall be selected pro rata (as nearly as practicable without creating fractional units).

B. Limitation on Series H Redemption. (i) The Series H Redemption Price of the Series H Preferred Units (other than the portion thereof consisting of accumulated but unpaid distributions) is payable solely out of the sale proceeds of capital stock of AMB, which will be contributed by AMB to the General Partner or the Operating Partnership and which in turn will be contributed by the General Partner or the Operating Partnership to the Partnership as an additional capital contribution, or out of the sale of limited partner interests in the Partnership or the Operating Partnership and from no other source. For purposes of the preceding sentence, "capital stock" means any equity securities (including Common Stock and Preferred Stock (as such terms are defined in the REIT Charter), depository shares, interests, participation or other ownership interests (however designated) and any rights (other than debt securities convertible into or exchangeable for equity securities) or options to purchase any of the foregoing.

(ii) The Partnership may not redeem fewer than all of the outstanding Series H Preferred Units unless all accumulated and unpaid distributions have been paid on all Series H

Preferred Units for all quarterly distribution periods terminating on or prior to the date of redemption.

C. Procedures for Series H Redemption. (i) Notice of redemption will be (i) faxed, and (ii) mailed by the Partnership, by certified mail, postage prepaid, not less than 30 nor more than 60 days prior to the redemption date, addressed to the respective holders of record of the Series H Preferred Units at their respective addresses as they appear on the records of the Partnership. No failure to give or defect in such notice shall affect the validity of the proceedings for the redemption of any Series H Preferred Units except as to the holder to whom such notice was defective or not given. In addition to any information required by law, each such notice shall state: (a) the redemption date, (b) the Series H Redemption Price, (c) the aggregate number of Series H Preferred Units to be redeemed and if fewer than all of the outstanding Series H Preferred Units are to be redeemed, the number of Series H Preferred Units to be redeemed held by such holder, which number shall equal such holder's pro rata

share (based on the percentage of the aggregate number of outstanding Series H Preferred Units that the total number of Series H Preferred Units held by such holder represents) of the aggregate number of Series H Preferred Units to be redeemed, (d) the place or places where such Series H Preferred Units are to be surrendered for payment of the Series H Redemption Price, (e) that distributions on the Series H Preferred Units to be redeemed will cease to accumulate on such redemption date and (f) that payment of the Series H Redemption Price will be made upon presentation and surrender of such Series H Preferred Units.

(ii) If the Partnership gives a notice of redemption in respect of Series H Preferred Units (which notice will be irrevocable) then, by 12:00 noon, New York City time, on the redemption date, the Partnership will deposit irrevocably in trust for the benefit of the Series H Preferred Units being redeemed funds sufficient to pay the applicable Series H Redemption Price and will give irrevocable instructions and authority to pay such Series H Redemption Price to the holders of the Series H Preferred Units upon surrender of the Series H Preferred Units by such holders at the place designated in the notice of redemption. On and after the date of redemption, distributions will cease to accumulate on the Series H Preferred Units or portions thereof called for redemption, unless the Partnership defaults in the payment thereof. If any date fixed for redemption of Series H Preferred Units is not a Business Day, then payment of the Series H Redemption Price payable on such date will be made on the next succeeding day that is a Business Day (and without any interest or other payment in respect of any such delay) except that, if such Business Day falls in the next calendar year, such payment will be made on the immediately preceding Business Day, in each case with the same force and effect as if made on such date fixed for redemption. If payment of the Series H Redemption Price is improperly withheld or refused and not paid by the Partnership, distributions on such Series H Preferred Units will continue to accumulate from the original redemption date to the date of payment, in which case the actual payment date will be considered the date fixed for redemption for purposes of calculating the applicable Series H Redemption Price.

Section 21.6. Voting and Certain Management Rights

A. General. Holders of the Series H Preferred Units will not have any voting rights or right to consent to any matter requiring the consent or approval of the Limited Partners, except as set forth below and in Section 7.3.E.

B. Certain Voting Rights. So long as any Series H Preferred Units remains outstanding, the Partnership shall not, without the affirmative vote of the holders of at least two-thirds of the Series H Preferred Units outstanding at the time (i) authorize or create, or increase the authorized or issued amount of, any class or series of Partnership Interests ranking prior to the Series H Preferred Units with respect to payment of distributions or rights upon liquidation, dissolution or winding-up or reclassify any Partnership Interests of the Partnership into any such Partnership Interest, or create, authorize or issue any obligations or security convertible into or evidencing the right to purchase any such Partnership Interests, (ii) authorize or create, or increase the authorized or issued amount of any Parity Preferred Units or reclassify any Partnership Interest of the Partnership into any such Partnership Interest or create, authorize or issue any obligations or security convertible into or evidencing the right to purchase any such Partnership Interests but only to the extent such Parity Preferred Units are issued to an affiliate of the Partnership, other than AMB or the Operating Partnership to the extent the issuance of such interests was to allow AMB or the Operating Partnership to issue corresponding preferred stock or preferred interests to persons who are not affiliates of the Partnership (other than AMB to the extent AMB issues corresponding preferred stock to persons who are not affiliates of the Partnership or the Operating Partnership) or (iii) either consolidate, merge into or with, or convey, transfer or lease its assets substantially as an entirety to, any corporation or other entity or amend, alter or repeal the provisions of the Partnership Agreement (including, without limitation, this Article 21 and Section 11.2), whether by merger, consolidation or otherwise, in each case in a manner that would materially and adversely affect the powers, special rights, preferences, privileges or voting power of the Series H Preferred Units or the holders thereof; provided, however, that with respect to the occurrence of any event set forth in (iii) above, so long as (a) the Partnership is the surviving entity and the Series H Preferred Units remain outstanding with the terms thereof unchanged, or (b) the resulting, surviving or transferee entity is a partnership, limited liability company or other pass-through entity organized under the laws of any state and substitutes the Series H Preferred Units for other interests in such entity having substantially the same terms and rights as the Series H Preferred Units, including with respect to distributions, voting rights and rights upon liquidation, dissolution or winding-up, then the occurrence of any such event shall not be deemed to materially and adversely affect such rights, privileges or voting powers of the holders of the Series H Preferred Units; and provided further, that any increase in the amount of Partnership Interests or the creation or issuance of any other class or series of Partnership Interests represented by Junior Units or Parity Preferred Units that are not issued to an affiliate of the Partnership, other

than the General Partner or the Operating Partnership to the extent the issuance of such interests was to allow the General Partner or the Operating Partnership to issue corresponding preferred stock or preferred interests to persons who are not affiliates of the Partnership (other than AMB to the extent AMB issues corresponding preferred stock or preferred interests to persons who are not affiliates of the Partnership or the Operating Partnership), shall not be deemed to materially and adversely affect such rights, preferences, privileges or voting powers.

C. So long as any Series H Preferred Units remain outstanding, the General Partner shall not, without the affirmative vote of the holders of at least two-thirds of the Series H Preferred Units outstanding at the time, take any action which would result in the termination of the right of the holders of such units to effect an exchange pursuant to Section 21.8; provided however, no such vote shall be required so long as the Series H Preferred Units (or any interests substituted therefore pursuant to Section 21.6.B) remain outstanding and are exchangeable for

Series H Preferred Shares or stock in another entity having substantially the same terms and rights as the Series H Preferred Shares.

D. Notwithstanding anything to the contrary contained in this Agreement, including, without limitation, the provisions of Article 7 regarding the management rights and responsibilities of the General Partner, whenever distributions on any Series H Preferred Units shall remain unpaid for six or more quarterly periods (i.e., the quarterly periods ending on the 25th day of each March, June, September and December, or, if not a business day, the next succeeding business day, beginning with the quarterly period ending September 25, 2000) (whether or not consecutive), the holders of 51% of either (i) such Series H Preferred Units, in the event that the holders of the Series D Preferred Units, Series E Preferred Units, Series F Preferred Units, and Series I Preferred Units are not entitled to exercise management rights pursuant to Section 17.6D, Section 18.6.D, Section 19.6.D and Section 22.6D, respectively, and that no Future Parity Preferred Unitholders are entitled to exercise management rights similar to those to which the holders of Series D Preferred Units, Series E Preferred Units, Series F Preferred Units, Series H Preferred Units and Series I Preferred Units are entitled to exercise pursuant to Section 17.6D, Section 18.6.D, Section 19.6.D, this Section 21.6.D, and Section 22.6.D, respectively, or (ii) the Parity Preferred Capital, in the event that holders of Series D Preferred Units, Series E Preferred Units, or Series F Preferred Units are entitled to exercise management rights pursuant to Section 17.6D, Section 18.6.D or Section 19.6.D, respectively, or Future Parity Preferred Unitholders are entitled to exercise management rights similar to those to which the holders of Series D Preferred Units, Series E Preferred Units, Series F Preferred Units, and Series H Preferred Units are entitled to exercise pursuant to Section 17.6D, Section 18.6.D, Section 19.6.D, this Section 21.6.D, or Section 22.6.D, respectively, shall be entitled to assume rights to manage the Partnership and perform actions related thereto for the sole purpose of enforcing the Partnership's rights and remedies as against obligees of the Partnership or other Persons from whom the Partnership may be entitled to receive cash or other assets, until all distributions accumulated on the Series H Preferred Units for all past quarterly periods and the distribution for the then-current quarterly period shall have been fully-paid or declared and a sum sufficient for the payment thereof irrevocably set aside in trust for payment in full; provided, however, that no such holder or holders of Series H Preferred Units may at any time take any action (or fail to take any action) if the consequence of such action (or inaction) would be (i) to cause AMB to fail to qualify as a REIT for federal or applicable state income tax purposes or (ii) to cause the Partnership or the Operating Partnership to fail to qualify as a partnership for federal or applicable state income tax purposes, or (iii) to cause the Partnership, the Operating Partnership, the General Partner, or AMB to be considered an "investment company" as defined in, or otherwise be subject to regulation under, the Investment Company Act of 1940, as amended; and provided, further, that solely for purposes of exercising the management rights set forth in this Section 21.6.D, each holder of Series H Preferred Units shall be deemed an Indemnitee, and shall be entitled to the benefits of the indemnification provisions of Section 7.7 with respect to any and all action(s) taken (or failure(s) to act) by a holder of Series H Preferred Units in the exercise of (or failure(s) to exercise) the management rights described in this Section 21.6.D, including, without limitation, alleged breaches of the General Partner's fiduciary duty to the Partners; and provided further, that the holders of the Series H Preferred Units acknowledge and agree that the General Partner and the Partnership have provided similar management rights to the holders of the Series D Preferred Units, the Series E Preferred Units and the Series F Preferred Units and shall be entitled to provide similar management rights to Future Parity Preferred Unitholders.

Section 21.7. Transfer Restrictions

The Series H Preferred Units shall be subject to the provisions of Article 11 hereof. Notwithstanding any provision to the contrary herein, no transfer of Series H Preferred Units, or other action by the holder or holders of such Units, is permitted without the consent of the General Partner which consent may be given or withheld in its sole and absolute discretion, if such transfer or other action would result in more than four partners holding all outstanding Series D Preferred Units, Series H Preferred Units and Series I Preferred Units within the meaning of Treasury Regulation Section 1.7704-1(h)(1)(ii) (without regard to Treasury Regulation Section 1.7704-1(h)(3)(ii)); provided, however, that the General Partner's consent may not be unreasonably withheld if (a) such transfer or other action would not result in more than ten partners holding all outstanding Series D Preferred Units, Series H Preferred Units and Series I Preferred Units within the meaning of Treasury Regulation Section 1.7704-1(h)(1)(ii) (without regard to Treasury Regulation Section 1.7704-1(h)(3)(ii)) and (b) the General Partner cannot rely on Treasury Regulation Section 1.7704-1(h). In addition, no transfer may be made to any person if such transfer would cause the exchange of the Series H Preferred Units for Series H Preferred Shares, as provided herein, to be required to be registered under the Securities Act of 1933, as amended, or any state securities laws.

Section 21.8. Exchange Rights

A. Right to Exchange. (i) Series H Preferred Units will be exchangeable in whole but not in part unless expressly otherwise provided herein at anytime on or after September 1, 2010, at the option of 51% of the holders of all outstanding Series H Preferred Units, for authorized but previously unissued Series H Preferred Shares at an exchange rate of one Series H Preferred Share from AMB for one Series H Preferred Unit, subject to adjustment as described below (the "Series H Exchange Price"); provided that the Series H Preferred Units will become exchangeable at any time, in whole but not in part unless expressly otherwise provided herein, at the option of 51% of the holders of all outstanding Series H Preferred Units for Series H Preferred Shares if (y) at any time full distributions shall not have been timely made on any Series H Preferred Unit with respect to six (6) prior quarterly distribution periods, whether or not consecutive; provided, however, that a distribution in respect of Series H Preferred Units shall be considered timely made if made within two (2) Business Days after the applicable Series H Preferred Unit Distribution Payment Date if at the time of such late payment there shall not be any prior quarterly distribution periods in respect of which full distributions were not timely made or (z) upon receipt by a holder or holders of Series H Preferred Units of (A) notice from the General Partner that the General Partner or a Subsidiary of the General Partner has taken the position that the Partnership is, or upon the consummation of an identified event in the immediate future will be, a PTP and (B) an opinion rendered by independent counsel familiar with such matters addressed to a holder or holders of Series H Preferred Units, that the Partnership is or likely is, or upon the occurrence of a defined event in the immediate future will be or likely will be, a PTP.

In addition, the Series H Preferred Units may be exchanged for Series H Preferred Shares, in whole but not in part unless expressly otherwise provided herein, at the option of 51% of the holders of all outstanding Series H Preferred Units after September 1, 2003 and prior to September 1, 2010 if such holders of a Series H Preferred Units shall deliver to the General Partner either (i) a private letter ruling addressed to such holder of Series H Preferred Units or

(ii) an opinion of independent counsel reasonably acceptable to the General Partner based on a change in statute, the enactment of temporary or final Treasury Regulations or the publication of a Revenue Ruling or any other IRS release, in either case to the effect that an exchange of the Series H Preferred Units at such earlier time would not cause the Series H Preferred Units to be considered "stock and securities" within the meaning of Section 351(e) of the Code for purposes of determining whether the holder of such Series H Preferred Units is an "investment company" under Section 721(b) of the Code if an exchange is permitted at such earlier date.

(ii) Notwithstanding anything to the contrary set forth in Section 21.8.A(i), if a Series H Exchange Notice (as defined herein) has been delivered to AMB and the General Partner, then the General Partner may, at its option, within ten (10) Business Days after receipt of the Series H Exchange Notice, elect to cause the Partnership to redeem all or a portion of the outstanding Series H Preferred Units for cash in an amount equal to the original Capital Contribution per Series H Preferred Unit and all accrued and unpaid distributions thereon to the date of redemption. If the General Partner elects to redeem fewer than all of the outstanding Series H Preferred Units, the number of Series H Preferred Units held by each holder to be redeemed shall equal such holder's pro rata share (based on the percentage of the aggregate number of outstanding Series H Preferred Units that the total number of Series H Preferred Units held by such holder represents) of the aggregate number of Series H Preferred Units being redeemed.

(iii) In the event an exchange of all Series H Preferred Units pursuant

to Section 21.8.A would violate the provisions on ownership limitation of AMB set forth in Section 7 of Article Third of the Series H Articles Supplementary, each holder of Series H Preferred Units shall be entitled to exchange, pursuant to the provisions of Section 21.8.B, a number of Series H Preferred Units which would comply with the provisions on the ownership limitation of AMB set forth in such Section 7 of Article Third of the Series H Articles Supplementary, with respect to such holder, and any Series H Preferred Units not so exchanged (the "Series H Excess Units") shall be redeemed by the Partnership for cash in an amount equal to the original Capital Contribution per Series H Excess Unit, plus any accrued and unpaid distributions thereon to the date of redemption subject to any restriction thereon contained in any debt instrument or agreement of the Partnership. In the event an exchange would result in Series H Excess Units, as a condition to such exchange, each holder of such units agrees to provide representations and covenants reasonably requested by AMB relating to (i) the widely held nature of the interests in such holder, sufficient to assure AMB that the holder's ownership of stock of AMB (without regard to the limits described above) will not cause any individual to own in excess of 9.0% of the stock of AMB; and (ii) to the extent such Holder can so represent and covenant without obtaining information from its owners (other than one or more direct or indirect parent corporations, limited liability companies or partnerships and not the holders of any interests in any such parent), the Holder's ownership of tenants of the Partnership and its affiliates. For purposes of determining the number of Series H Excess Units under this Section 21.8.A(iii), the "Ownership Limit" set forth in the Series H Articles Supplementary shall be deemed to be 9.0%. To the extent the Partnership would not be able to pay the cash set forth above in exchange for the Series H Excess Units, and to the extent consistent with the REIT Charter, AMB agrees that it will grant to the holders of the Series H Preferred Units exceptions to the Ownership Limit set forth in the Series H Articles Supplementary sufficient to allow such Holders to exchange all of their Series H Preferred Units for Series H Preferred Shares; provided such holders furnish to AMB representations acceptable to AMB in its sole and absolute discretion which assure AMB

that such exceptions will not jeopardize AMB's tax status as a REIT for purposes of federal and applicable state law. Notwithstanding any provision of this Agreement to the contrary, no Series H Limited Partner shall be entitled to effect an exchange of Series H Preferred Units for Series H Preferred Shares to the extent that ownership or right to acquire such shares would cause the Partner or any other Person or, in the opinion of counsel selected by AMB, may cause the Partner or any other Person, to violate the restrictions on ownership and transfer of Series H Preferred Shares set forth in the REIT Charter. To the extent any such attempted exchange for Series H Preferred Shares would be in violation of the previous sentence, it shall be void ab initio and such Series H Limited Partner shall not acquire any rights or economic interest in the Series H Preferred Shares otherwise issuable upon such exchange.

(iv) The redemption of Series H Preferred Units described in Section 19.8.A(ii) and (iii) shall be subject to the provisions of Section 21.5.B(i) and Section 21.5.C(ii); provided, however, that the term "Series H Redemption Price" in such Sections 21.5.B(i) and 21.5.C(ii) shall be read to mean the original Capital Contribution per Series H Preferred Unit being redeemed as set forth on Exhibit A plus all accrued and unpaid distributions to the redemption date.

B. Procedure for Exchange of Series H Preferred Units and/or Series H Redemption.

(i) Any exchange shall be exercised pursuant to a notice of exchange (the "Series H Exchange Notice") delivered to AMB and the General Partner by the Partners representing at least 51% of the outstanding Series H Preferred Units (or by the Series H Contributor in the case of an exchange pursuant to the last sentence of Section 21.8.A.(i) hereof) by (a) fax and (b) by certified mail postage prepaid. AMB may effect any exchange of Series H Preferred Units, or the General Partner may exercise its option to cause the Partnership to redeem any portion of the Series H Preferred Units for cash pursuant to Section 21.8.A(ii) or redeem Series H Excess Units pursuant to Section 21.8.A(iii), by delivering to each holder of record of Series H Preferred Units, within ten (10) Business Days following receipt of the Series H Exchange Notice, (a) if the General Partner elects to cause the Partnership to acquire any of the Series H Preferred Units then outstanding, (1) certificates representing the Series H Preferred Shares being issued in exchange for the Series H Preferred Units of such holder being exchanged and (2) a written notice (a "Series H Redemption Notice") stating (A) the redemption date, which may be the date of such Series H Redemption Notice or any other date which is not later than sixty (60) days following the receipt of the Series H Exchange Notice, (B) the redemption price, (C) the place or places where the Series H Preferred Units are to be surrendered and (D) that distributions on the Series H Preferred Units will cease to accrue on such redemption date, or (b) if the General Partner elects to cause the Partnership to redeem all of the Series H Preferred Units then outstanding in exchange for cash, a Series H Redemption Notice. Series H Preferred Units which are redeemed shall be deemed canceled (and any corresponding Partnership Interest represented thereby deemed terminated) on the redemption date. Holders of Series H Preferred Units shall deliver any canceled certificates representing

Series H Preferred Units which have been exchanged or redeemed to the office of the General Partner (which currently is located at Pier 1, Bay 1, San Francisco, California 94111) within ten (10) Business Days of the exchange or redemption with respect thereto. Notwithstanding anything to the contrary contained herein, any and all Series H Preferred Units to be exchanged for Series H Preferred Shares pursuant to this Section 21.8 shall be so exchanged in a single transaction at one time. As a condition to

exchange, AMB may require the holders of Series H Preferred Units to make such representations as may be reasonably necessary for the General Partner to establish that the issuance of Series H Preferred Shares pursuant to the exchange shall not be required to be registered under the Securities Act or any state securities laws. Any Series H Preferred Shares issued pursuant to this Section 21.8 shall be delivered as shares which are duly authorized, validly issued, fully paid and nonassessable, free of any pledge, lien, encumbrance or restriction other than those provided in the REIT Charter, the Bylaws of AMB, the Securities Act and relevant state securities or blue sky laws.

The certificates representing the Series H Preferred Shares issued upon exchange of the Series H Preferred Units shall contain the following legend:

> THE SHARES REPRESENTED BY THIS CERTIFICATE MAY NOT BE TRANSFERRED, SOLD, ASSIGNED, PLEDGED, HYPOTHECATED OR OTHERWISE DISPOSED OF EXCEPT (A) PURSUANT TO AN EFFECTIVE REGISTRATION STATEMENT UNDER THE SECURITIES ACT OF 1933, AS AMENDED (THE "ACT"), AND STATE SECURITIES LAWS OR (B) IF THE CORPORATION HAS BEEN FURNISHED WITH A SATISFACTORY OPINION OF COUNSEL FOR THE HOLDER OF THE SHARES REPRESENTED HEREBY, OR OTHER EVIDENCE SATISFACTORY TO THE CORPORATION, THAT SUCH TRANSFER, SALE, ASSIGNMENT, PLEDGE, HYPOTHECATION OR OTHER DISPOSITION IS EXEMPT FROM THE PROVISIONS OF SECTION 5 OF THE ACT AND STATE SECURITIES LAWS AND THE RULES AND REGULATIONS THEREUNDER.

(ii) In the event of an exchange of Series H Preferred Units for Series H Preferred Shares, an amount equal to the accrued and unpaid distributions to the date of exchange on any Series H Preferred Units tendered for exchange shall (i) accrue on the Series H Preferred Shares into which such Series H Preferred Units are exchanged, and (ii) continue to accrue on such Series H Preferred Units, which shall remain outstanding following such exchange, with the General Partner as the holder of such Series H Preferred Units. Notwithstanding anything to the contrary set forth herein, in no event shall a Holder of a Series H Preferred Unit that was validly exchanged for Series H Preferred Shares pursuant to this Section (other than the General Partner holding such Series H Preferred Unit following any such exchange), receive a distribution out of Available Cash of the Partnership, if such Holder, after exchange, is entitled to receive a distribution with respect to the Series H Preferred Shares for which such Series H Preferred Unit was exchanged or redeemed. Further, for purposes of the foregoing, in the event of an exchange of Series H Preferred Units for Series H Preferred Shares, if the accrued and unpaid distributions per Series H Preferred Unit is not the same for each Series H Preferred Unit, the accrued and unpaid distributions per Series H Preferred Unit for each such Series H Preferred Unit shall be equal to the greatest amount of such accrued and unpaid distributions per Series H Preferred Unit on any such unit.

(iii) Fractional Series H Preferred Shares are not to be issued upon exchange but, in lieu thereof, the General Partner will pay a cash adjustment based upon the fair market

value of the Series H Preferred Shares on the day prior to the exchange date as determined in good faith by the board of directors of the General Partner.

C. Adjustment of Series H Exchange Price. In case AMB shall be a party to any transaction (including, without limitation, a merger, consolidation, statutory share exchange, tender offer for all or substantially all of AMB's capital stock or sale of all or substantially all of AMB's assets), in each case as a result of which the Series H Preferred Shares will be converted into the right to receive shares of capital stock, other securities or other property (including cash or any combination thereof), each Series H Preferred Unit will thereafter be exchangeable into the kind and amount of shares of capital stock and other securities and property receivable (including cash or any combination thereof) upon the consummation of such transaction by a holder of that number of Series H Preferred Shares or fraction thereof into which one Series H Preferred Unit was exchangeable immediately prior to such transaction. AMB may not become a party to any such transaction unless the terms thereof are consistent with the foregoing. AMB and the Operating Partnership further agree that, notwithstanding any transaction to which either may be a party (including, without limitation, any merger, consolidation, statutory share exchange, tender offer for all or substantially all of such entity's capital stock or partnership interests or sale of all or substantially all of such entity's assets), immediately following any such transaction, the issuer or issuers of any shares of capital stock and

other securities into which the Series H Preferred Units shall be exchangeable pursuant to this Section 21.8 shall be the same issuer or issuers of shares of capital stock and other securities into which (i) the Series B Preferred Units are then exchangeable (or, if the Series B Preferred Units have previously been redeemed in full, would have been then exchangeable if then still outstanding), (ii) the Series D Preferred Units are then exchangeable (or, if the Series D Preferred Units have previously been redeemed in full, would have been then exchangeable if then still outstanding), (iii) the Series E Preferred Units are then exchangeable (or, if the Series E Preferred Units have previously been redeemed in full, would have been then exchangeable if then still outstanding), (iv) the Series F Preferred Units are then exchangeable (or, if the Series F Preferred Units have previously been redeemed in full, would have been then exchangeable if then still outstanding), and (v) the Series I Preferred Units are then exchangeable (or, if the Series I Preferred Units have previously been redeemed in full, would have been then exchangeable if then still outstanding).

Section 21.9. No Conversion Rights

The Series H Preferred Units shall not be convertible into any other class or series of interest in the Partnership.

Section 21.10. No Sinking Fund

No sinking fund shall be established for the retirement or redemption of Series H Preferred Units.

ARTICLE 22.
SERIES I PREFERRED UNITS

Section 22.1. Designation and Number

A series of Partnership Units in the Partnership designated as the 8.00% Series I Cumulative Redeemable Preferred Units (the "Series I Preferred Units") is hereby established. The number of Series I Preferred Units shall be 510,000.

Section 22.2. Ranking

The Series I Preferred Units shall, with respect to distribution rights and rights upon voluntary or involuntary liquidation, winding up or dissolution of the Partnership, rank (i) senior to the Common Units and to all Partnership Units the terms of which provide that such Partnership Units shall rank junior to the Series I Preferred Units; (ii) on a parity with the Series D Preferred Units, the Series E Preferred Units, the Series F Preferred Units, the Series H Preferred Units and all other Parity Preferred Units; and (iii) junior to all Partnership Units which rank senior to the Series I Preferred Units.

Section 22.3. Distributions

A. Payment of Distributions. Subject to the rights of holders of Parity Preferred Units as to the payment of distributions (including pursuant to Sections 5.1, 17.3A, 18.3A, 19.3A and 21.3A hereof), holders of Series I Preferred Units will be entitled to receive, when, as and if declared by the Partnership acting through the General Partner, out of Available Cash, cumulative preferential cash distributions in an amount equal to the Series I Priority Return. Such distributions will be payable (A) quarterly (such quarterly periods for purposes of payment and accrual will be the quarterly periods ending on the dates specified in this sentence and not calendar year quarters) in arrears, on the 25th day of March, June, September and December of each year and (B) in the event of (i) an exchange of Series I Preferred Units into Series I Preferred Shares, or (ii) a redemption of Series I Preferred Units, on the exchange date or redemption date, as applicable (each a "Series I Preferred Unit Distribution Payment Date"), commencing on the first of such payment dates to occur following their original date of issuance. If any date on which distributions are to be made on the Series I Preferred Units is not a Business Day, then payment of the distribution to be made on such date will be made on the next succeeding day that is a Business Day (and without any interest or other payment in respect of any such delay) except that, if such Business Day is in the next succeeding calendar year, such payment shall be made on the immediately preceding Business Day, in each case with the same force and effect as if made on such date. Distributions on the Series I Preferred Units will be made to the holders of record of the Series I Preferred Units on the relevant record dates, which will be fifteen (15) days prior to the relevant Series I Preferred Unit Distribution Payment Date (the "Series I Preferred Unit Partnership Record Date"). For purposes of clarifying the relative distribution priority rights among the Series I Preferred Units, the Series H Preferred Units, the Series F Preferred Units, the Series E Preferred Units and the Series D Preferred Units, the payment of distributions with respect to a series of such Preferred Units prior to the payment of distributions with respect to another such series of Preferred Units, solely as a result of the distribution payment dates with respect to a series of Preferred Units occurring on a different

date from another series of Preferred Units, shall not be deemed to create a priority in favor of one series of Preferred Units over any other series of Preferred Units.

B. Distributions Cumulative. Notwithstanding the foregoing, distributions on the Series I Preferred Units will accrue whether or not the terms and provisions of any agreement of the Partnership at any time prohibit the current payment of distributions, whether or not the Partnership has earnings, whether or not there are funds legally available for the payment of such of such distributions and whether or not such distributions are authorized. Accrued but unpaid distributions on the Series I Preferred Units will accumulate as of the Preferred Unit Distribution Payment Date on which they first become payable.

C. Priority as to Distributions. (i) So long as any Series I Preferred Units are outstanding, no distribution of cash or other property shall be authorized, declared, paid or set apart for payment on or with respect to any class or series of Partnership Interest represented by Junior Units, nor shall any Junior Units or Parity Preferred Units be redeemed, purchased or otherwise acquired for any consideration (or any monies be paid to or made available for a sinking fund for the redemption of any such Junior Units or Parity Preferred Units) by the Partnership (except by conversion into or exchange for other Junior Units or Parity Preferred Units, as the case may be) unless, in each case, full cumulative distributions have been or contemporaneously are authorized and paid or authorized and a sum sufficient for the payment thereof set apart for such payment on the Series I Preferred Units and all classes and series of outstanding Parity Preferred Units for all distribution periods. The foregoing sentence will not prohibit (a) distributions payable solely in Junior Units, (b) the exchange of Junior Units or Parity Preferred Units into Partnership Interests of the Partnership ranking junior to the Series I Preferred Units as to distributions and upon voluntary and involuntary liquidation, dissolution or winding up of the Partnership, or (c) distributions necessary to enable the Operating Partnership to redeem partnership interests corresponding to Series I Preferred Shares and any Parity Preferred Stock with respect to distributions or Junior Stock to be purchased by AMB pursuant to the REIT Charter to preserve AMB's status as a REIT; provided that such redemption shall be upon the same terms as the corresponding stock purchase pursuant to the REIT Charter.

(ii) So long as distributions have not been paid in full (or a sum sufficient for such full payment is not so set apart) upon the Series I Preferred Units and any other Parity Preferred Units, all distributions authorized and declared on the Series I Preferred Units and all classes or series of outstanding Parity Preferred Units shall be authorized and declared pro rata so that the amount of distributions authorized and declared per Series I Preferred Unit and such other classes or series of Parity Preferred Units shall in all cases bear to each other the same ratio that accrued distributions per Series I Preferred Unit and such other classes or series of Parity Preferred Units (which shall not include any accumulation in respect of unpaid distributions for prior distribution periods if such class or series of Parity Preferred Units do not have cumulative distribution rights) bear to each other. No interest, or sum of money in lieu of interest, shall be payable in respect of any distributions or payments on Series I Preferred Units which may be in arrears.

(iii) Notwithstanding anything to the contrary set forth herein, distributions on Partnership Interests held by either (a) the General Partner, (b) the Operating Partnership or (c) any other holder of Partnership Interests in the Partnership, in each case ranking junior to or on parity with the Series I Preferred Units may be made, without preserving the priority of

distributions described in Sections 22.3.C(i) and (ii), but only to the extent such distributions are required to preserve the REIT status of AMB, in its capacity as sole general partner of the Operating Partnership and as sole stockholder of the General Partner, and in the case of any holder other than the General Partner only to the extent required by the Partnership Agreement; provided, that the Partnership shall not be disproportionately burdened by this provision relative to the cash flow generated by other assets owned directly or indirectly by AMB.

D. No Further Rights. Holders of Series I Preferred Units shall not be entitled to any distributions, whether payable in cash, other property or otherwise, in excess of the full cumulative distributions described herein.

Section 22.4. Liquidation Proceeds

A. Distributions. Upon voluntary or involuntary liquidation, dissolution or winding-up of the Partnership, distributions on the Series I Preferred Units shall be made in accordance with Article 13 of this Agreement.

B. Notice. Written notice of any such voluntary or involuntary liquidation, dissolution or winding-up of the Partnership, stating the payment date or dates when, and the place or places where, the amounts distributable in such circumstances shall be payable, shall be given by the General Partner pursuant to Section 13.6 hereof.

C. No Further Rights. After payment of the full amount of the liquidating distributions to which they are entitled, Holders of Series I Preferred Units will have no right or claim to any of the remaining assets of the Partnership.

D. Consolidation, Merger or Certain Other Transactions. None of a consolidation or merger of the Partnership with or into another entity, a merger of another entity with or into the Partnership, or a sale, lease, transfer or conveyance of all or substantially all of the Partnership's property or business shall be considered a liquidation, dissolution or winding up of the Partnership.

Section 22.5. Series I Redemption

A. Series I Redemption. The Series I Preferred Units may not be redeemed prior to March 21, 2006. On or after such date, the Partnership shall have the right to redeem the Series I Preferred Units, in whole or in part, at any time or from time to time, upon not less than 30 nor more than 60 days' written notice, at a redemption price, payable in cash (a "Series I Redemption"), equal to the Capital Account balance of the holder of Series I Preferred Units (the "Series I Redemption Price"); provided, however, that no redemption pursuant to this Section 21.5 will be permitted if the Series I Redemption Price does not equal or exceed the original Capital Contribution of such holder plus the cumulative Series I Priority Return to the redemption date to the extent not previously distributed. If fewer than all of the outstanding Series I Preferred Units are to be redeemed, the Series I Preferred Units to be redeemed shall be selected pro rata (as nearly as practicable without creating fractional units).

B. Limitation on Series I Redemption. (i) The Series I Redemption Price of the Series I Preferred Units (other than the portion thereof consisting of accumulated but unpaid distributions) is payable solely out of the sale proceeds of capital stock of AMB, which will be

contributed by AMB to the General Partner or the Operating Partnership and which in turn will be contributed by the General Partner or the Operating Partnership to the Partnership as an additional capital contribution, or out of the sale of limited partner interests in the Partnership or the Operating Partnership and from no other source. For purposes of the preceding sentence, "capital stock" means any equity securities (including Common Stock and Preferred Stock (as such terms are defined in the REIT Charter), depository shares, interests, participation or other ownership interests (however designated) and any rights (other than debt securities convertible into or exchangeable for equity securities) or options to purchase any of the foregoing.

(ii) The Partnership may not redeem fewer than all of the outstanding Series I Preferred Units unless all accumulated and unpaid distributions have been paid on all Series I Preferred Units for all quarterly distribution periods terminating on or prior to the date of redemption.

C. Procedures for Series I Redemption. (i) Notice of redemption will be (i) faxed, and (ii) mailed by the Partnership, by certified mail, postage prepaid, not less than 30 nor more than 60 days prior to the redemption date, addressed to the respective holders of record of the Series I Preferred Units at their respective addresses as they appear on the records of the Partnership. No failure to give or defect in such notice shall affect the validity of the proceedings for the redemption of any Series I Preferred Units except as to the holder to whom such notice was defective or not given. In addition to any information required by law, each such notice shall state: (a) the redemption date, (b) the Series I Redemption Price, (c) the aggregate number of Series I Preferred Units to be redeemed and if fewer than all of the outstanding Series I Preferred Units are to be redeemed, the number of Series I Preferred Units to be redeemed held by such holder, which number shall equal such holder's pro rata share (based on the percentage of the aggregate number of outstanding Series I Preferred Units that the total number of Series I Preferred Units held by such holder represents) of the aggregate number of Series I Preferred Units to be redeemed, (d) the place or places where such Series I Preferred Units are to be surrendered for payment of the Series I Redemption Price, (e) that distributions on the Series I Preferred Units to be redeemed will cease to accumulate on such redemption date and (f) that payment of the Series I Redemption Price will be made upon presentation and surrender of such Series I Preferred Units.

(ii) If the Partnership gives a notice of redemption in respect of Series I Preferred Units (which notice will be irrevocable) then, by 12:00 noon, New York City time, on the redemption date, the Partnership will deposit irrevocably in trust for the benefit of the Series I Preferred Units being redeemed funds sufficient to pay the applicable Series I Redemption Price and will give irrevocable instructions and authority to pay such Series I Redemption

Price to the holders of the Series I Preferred Units upon surrender of the Series I Preferred Units by such holders at the place designated in the notice of redemption. On and after the date of redemption, distributions will cease to accumulate on the Series I Preferred Units or portions thereof called for redemption, unless the Partnership defaults in the payment thereof. If any date fixed for redemption of Series I Preferred Units is not a Business Day, then payment of the Series I Redemption Price payable on such date will be made on the next succeeding day that is a Business Day (and without any interest or other payment in respect of any such delay) except that, if such Business Day falls in the next calendar year, such payment will be made on the immediately preceding Business Day, in each case with the same force and effect as if made on such date fixed for redemption. If payment of the Series I Redemption Price is improperly

withheld or refused and not paid by the Partnership, distributions on such Series I Preferred Units will continue to accumulate from the original redemption date to the date of payment, in which case the actual payment date will be considered the date fixed for redemption for purposes of calculating the applicable Series I Redemption Price.

Section 22.6. Voting and Certain Management Rights

A. General. Holders of the Series I Preferred Units will not have any voting rights or right to consent to any matter requiring the consent or approval of the Limited Partners, except as set forth below and in Section 7.3.E.

B. Certain Voting Rights. So long as any Series I Preferred Units remains outstanding, the Partnership shall not, without the affirmative vote of the holders of at least two-thirds of the Series I Preferred Units outstanding at the time (i) authorize or create, or increase the authorized or issued amount of, any class or series of Partnership Interests ranking prior to the Series I Preferred Units with respect to payment of distributions or rights upon liquidation, dissolution or winding-up or reclassify any Partnership Interests of the Partnership into any such Partnership Interest, or create, authorize or issue any obligations or security convertible into or evidencing the right to purchase any such Partnership Interests, (ii) authorize or create, or increase the authorized or issued amount of any Parity Preferred Units or reclassify any Partnership Interest of the Partnership into any such Partnership Interest or create, authorize or issue any obligations or security convertible into or evidencing the right to purchase any such Partnership Interests but only to the extent such Parity Preferred Units are issued to an affiliate of the Partnership, other than AMB or the Operating Partnership to the extent the issuance of such interests was to allow AMB or the Operating Partnership to issue corresponding preferred stock or preferred interests to persons who are not affiliates of the Partnership (other than AMB to the extent AMB issues corresponding preferred stock to persons who are not affiliates of the Partnership or the Operating Partnership) or (iii) either consolidate, merge into or with, or convey, transfer or lease its assets substantially as an entirety to, any corporation or other entity or amend, alter or repeal the provisions of the Partnership Agreement (including, without limitation, this Article 22 and Section 11.2), whether by merger, consolidation or otherwise, in each case in a manner that would materially and adversely affect the powers, special rights, preferences, privileges or voting power of the Series I Preferred Units or the holders thereof; provided, however, that with respect to the occurrence of any event set forth in (iii) above, so long as (a) the Partnership is the surviving entity and the Series I Preferred Units remain outstanding with the terms thereof unchanged, or (b) the resulting, surviving or transferee entity is a partnership, limited liability company or other pass-through entity organized under the laws of any state and substitutes the Series I Preferred Units for other interests in such entity having substantially the same terms and rights as the Series I Preferred Units, including with respect to distributions, voting rights and rights upon liquidation, dissolution or winding-up, then the occurrence of any such event shall not be deemed to materially and adversely affect such rights, privileges or voting powers of the holders of the Series I Preferred Units; and provided further, that any increase in the amount of Partnership Interests or the creation or issuance of any other class or series of Partnership Interests represented by Junior Units or Parity Preferred Units that are not issued to an affiliate of the Partnership, other than the General Partner or the Operating Partnership to the extent the issuance of such interests was to allow the General Partner or the Operating Partnership to issue corresponding preferred stock or preferred interests to persons who are not affiliates of the Partnership (other than AMB to the extent AMB issues

corresponding preferred stock or preferred interests to persons who are not affiliates of the Partnership or the Operating Partnership), shall not be deemed to materially and adversely affect such rights, preferences, privileges or voting powers.

C. So long as any Series I Preferred Units remain outstanding, the General Partner shall not, without the affirmative vote of the holders of at least two-thirds of the Series I Preferred Units outstanding at the time, take any action which would result in the termination of the right of the holders of such units to effect an exchange pursuant to Section 22.8; provided however, no such vote shall be required so long as the Series I Preferred Units (or any interests substituted therefore pursuant to Section 22.6.B) remain outstanding and are exchangeable for Series I Preferred Shares or stock in another entity having substantially the same terms and rights as the Series I Preferred Shares.

D. Notwithstanding anything to the contrary contained in this Agreement, including, without limitation, the provisions of Article 7 regarding the management rights and responsibilities of the General Partner, whenever distributions on any Series I Preferred Units shall remain unpaid for six or more quarterly periods (i.e., the quarterly periods ending on the 25th day of March, June, September and December, or, if not a business day, the next succeeding business day, beginning with the quarterly period ending March 25, 2001) (whether or not consecutive), the holders of 51% of either (i) such Series I Preferred Units, in the event that the holders of the Series D Preferred Units, Series E Preferred Units, Series F Preferred Units, and Series H Preferred Units are not entitled to exercise management rights pursuant to Section 17.6D, Section 18.6.D, Section 19.6.D, and Section 21.6.D, respectively, and that no Future Parity Preferred Unitholders are entitled to exercise management rights similar to those to which the holders of Series D Preferred Units, Series E Preferred Units, Series F Preferred Units, Series H Preferred Units and Series I Preferred Units are entitled to exercise pursuant to Section 17.6D, Section 18.6.D, Section 19.6.D, Section 21.6.D and this Section 22.6.D, respectively, or (ii) the Parity Preferred Capital, in the event that holders of Series D Preferred Units, Series E Preferred Units, Series F Preferred Units, or Series H Preferred Units are entitled to exercise management rights pursuant to Section 17.6D, Section 18.6.D, Section 19.6.D, or Section 21.6.D, respectively, or Future Parity Preferred Unitholders are entitled to exercise management rights similar to those to which the holders of Series D Preferred Units, Series E Preferred Units, Series F Preferred Units, Series H Preferred Units and Series I Preferred Units are entitled to exercise pursuant to Section 17.6D, Section 18.6.D, Section 19.6.D, Section 21.6.D and this Section 22.6.D, respectively, shall be entitled to assume rights to manage the Partnership and perform actions related thereto for the sole purpose of enforcing the Partnership's rights and remedies as against obligees of the Partnership or other Persons from whom the Partnership may be entitled to receive cash or other assets, until all distributions accumulated on the Series I Preferred Units for all past quarterly periods and the distribution for the then-current quarterly period shall have been fully-paid or declared and a sum sufficient for the payment thereof irrevocably set aside in trust for payment in full; provided, however, that no such holder or holders of Series I Preferred Units may at any time take any action (or fail to take any action) if the consequence of such action (or inaction) would be (i) to cause AMB to fail to qualify as a REIT for federal or applicable state income tax purposes or (ii) to cause the Partnership or the Operating Partnership to fail to qualify as a partnership for federal or applicable state income tax purposes, or (iii) to cause the Partnership, the Operating Partnership, the General Partner, or AMB to be considered an "investment company" as defined in, or otherwise be subject to regulation under, the Investment Company Act of 1940, as amended; and provided, further, that solely for purposes of

exercising the management rights set forth in this Section 22.6.D, each holder of Series I Preferred Units shall be deemed an Indemnitee, and shall be entitled to the benefits of the indemnification provisions of Section 7.7 with respect to any and all action(s) taken (or failure(s) to act) by a holder of Series I Preferred Units in the exercise of (or failure(s) to exercise) the management rights described in this Section 22.6.D, including, without limitation, alleged breaches of the General Partner's fiduciary duty to the Partners; and provided further, that the holders of the Series I Preferred Units acknowledge and agree that the General Partner and the Partnership have provided similar management rights to the holders of the Series D Preferred Units, the Series E Preferred Units, the Series F Preferred Units, and Series H Preferred Units and shall be entitled to provide similar management rights to Future Parity Preferred Unitholders.

Section 22.7. Transfer Restrictions

The Series I Preferred Units shall be subject to the provisions of Article 11 hereof. Notwithstanding any provision to the contrary herein, no transfer of Series I Preferred Units, or other action by the holder or holders of such Units, is permitted without the consent of the General Partner which consent may be given or withheld in its sole and absolute discretion, if such transfer or other action would result in more than four partners holding all outstanding Series D Preferred Units, Series H Preferred Units and Series I Preferred Units within the meaning of Treasury Regulation Section 1.7704-1(h)(1)(ii) (without regard to Treasury Regulation Section 1.7704-1(h)(3)(ii)); provided, however, that the General Partner's consent may not be unreasonably withheld if (a) such transfer or other action would not

result in more than ten partners holding all outstanding Series D Preferred Units, Series H Preferred Units and Series I Preferred Units within the meaning of Treasury Regulation Section 1.7704-1(h)(1)(ii) (without regard to Treasury Regulation Section 1.7704-1(h)(3)(ii)) and (b) the General Partner cannot rely on Treasury Regulation Section 1.7704-1(h). In addition, no transfer may be made to any person if such transfer would cause the exchange of the Series I Preferred Units for Series I Preferred Shares, as provided herein, to be required to be registered under the Securities Act of 1933, as amended, or any state securities laws.

Section 22.8. Exchange Rights

A. Right to Exchange. (i) Series I Preferred Units will be exchangeable in whole but not in part unless expressly otherwise provided herein at anytime on or after March 21, 2011, at the option of 51% of the holders of all outstanding Series I Preferred Units, for authorized but previously unissued Series I Preferred Shares at an exchange rate of one Series I Preferred Share from AMB for one Series I Preferred Unit, subject to adjustment as described below (the "Series I Exchange Price"); provided that the Series I Preferred Units will become exchangeable at any time, in whole but not in part unless expressly otherwise provided herein, at the option of 51% of the holders of all outstanding Series I Preferred Units for Series I Preferred Shares if (y) at any time full distributions shall not have been timely made on any Series I Preferred Unit with respect to six (6) prior quarterly distribution periods, whether or not consecutive; provided, however, that a distribution in respect of Series I Preferred Units shall be considered timely made if made within two (2) Business Days after the applicable Series I Preferred Unit Distribution Payment Date if at the time of such late payment there shall not be any prior quarterly distribution periods in respect of which full distributions were not timely made or (z) upon receipt by a holder or holders of Series I Preferred Units of (A) notice from the General Partner that the General Partner or a Subsidiary of the General Partner has taken the

position that the Partnership is, or upon the consummation of an identified event in the immediate future will be, a PTP and (B) an opinion rendered by independent counsel familiar with such matters addressed to a holder or holders of Series I Preferred Units, that the Partnership is or likely is, or upon the occurrence of a defined event in the immediate future will be or likely will be, a PTP.

In addition, the Series I Preferred Units may be exchanged for Series I Preferred Shares, in whole but not in part unless expressly otherwise provided herein, at the option of 51% of the holders of all outstanding Series I Preferred Units after March 21, 2004 and prior to March 21, 2011 if such holders of a Series I Preferred Units shall deliver to the General Partner either (i) a private letter ruling addressed to such holder of Series I Preferred Units or (ii) an opinion of independent counsel reasonably acceptable to the General Partner based on a change in statute, the enactment of temporary or final Treasury Regulations or the publication of a Revenue Ruling or any other IRS release, in either case to the effect that an exchange of the Series I Preferred Units at such earlier time would not cause the Series I Preferred Units to be considered "stock and securities" within the meaning of Section 351(e) of the Code for purposes of determining whether the holder of such Series I Preferred Units is an "investment company" under Section 721(b) of the Code if an exchange is permitted at such earlier date.

(ii) Notwithstanding anything to the contrary set forth in Section 22.8.A(i), if a Series I Exchange Notice (as defined herein) has been delivered to AMB and the General Partner, then the General Partner may, at its option, within ten (10) Business Days after receipt of the Series I Exchange Notice, elect to cause the Partnership to redeem all or a portion of the outstanding Series I Preferred Units for cash in an amount equal to the original Capital Contribution per Series I Preferred Unit and all accrued and unpaid distributions thereon to the date of redemption. If the General Partner elects to redeem fewer than all of the outstanding Series I Preferred Units, the number of Series I Preferred Units held by each holder to be redeemed shall equal such holder's pro rata share (based on the percentage of the aggregate number of outstanding Series I Preferred Units that the total number of Series I Preferred Units held by such holder represents) of the aggregate number of Series I Preferred Units being redeemed.

(iii) In the event an exchange of all Series I Preferred Units pursuant to Section 22.8.A would violate the provisions on ownership limitation of AMB set forth in Section 7 of Article Third of the Series I Articles Supplementary, each holder of Series I Preferred Units shall be entitled to exchange, pursuant to the provisions of Section 22.8.B, a number of Series I Preferred Units which would comply with the provisions on the ownership limitation of AMB set forth in such Section 7 of Article Third of the Series I Articles Supplementary, with respect to such holder, and any Series I Preferred Units not so exchanged (the "Series I Excess Units") shall be redeemed by the Partnership for cash in an amount equal to the original Capital Contribution per Series I Excess Unit, plus any accrued and unpaid distributions thereon to the date of redemption subject

to any restriction thereon contained in any debt instrument or agreement of the Partnership. In the event an exchange would result in Series I Excess Units, as a condition to such exchange, each holder of such units agrees to provide representations and covenants reasonably requested by AMB relating to (i) the widely held nature of the interests in such holder, sufficient to assure AMB that the holder's ownership of stock of AMB (without regard to the limits described above) will not cause any individual to own in excess of 9.0% of the stock of AMB; and (ii) to the extent such Holder can so represent and covenant without

obtaining information from its owners (other than one or more direct or indirect parent corporations, limited liability companies or partnerships and not the holders of any interests in any such parent), the Holder's ownership of tenants of the Partnership and its affiliates. For purposes of determining the number of Series I Excess Units under this Section 22.8.A(iii), the "Ownership Limit" set forth in the Series I Articles Supplementary shall be deemed to be 9.0%. To the extent the Partnership would not be able to pay the cash set forth above in exchange for the Series I Excess Units, and to the extent consistent with the REIT Charter, AMB agrees that it will grant to the holders of the Series I Preferred Units exceptions to the Ownership Limit set forth in the Series I Articles Supplementary sufficient to allow such Holders to exchange all of their Series I Preferred Units for Series I Preferred Shares; provided such holders furnish to AMB representations acceptable to AMB in its sole and absolute discretion which assure AMB that such exceptions will not jeopardize AMB's tax status as a REIT for purposes of federal and applicable state law. Notwithstanding any provision of this Agreement to the contrary, no Series I Limited Partner shall be entitled to effect an exchange of Series I Preferred Units for Series I Preferred Shares to the extent that ownership or right to acquire such shares would cause the Partner or any other Person or, in the opinion of counsel selected by AMB, may cause the Partner or any other Person, to violate the restrictions on ownership and transfer of Series I Preferred Shares set forth in the REIT Charter. To the extent any such attempted exchange for Series I Preferred Shares would be in violation of the previous sentence, it shall be void ab initio and such Series I Limited Partner shall not acquire any rights or economic interest in the Series I Preferred Shares otherwise issuable upon such exchange.

(iv) The redemption of Series I Preferred Units described in Section 22.8.A(ii) and (iii) shall be subject to the provisions of Section 22.5.B(i) and Section 22.5.C(ii); provided, however, that the term "Series I Redemption Price" in such Sections 22.5.B(i) and 22.5.C(ii) shall be read to mean the original Capital Contribution per Series I Preferred Unit being redeemed as set forth on Exhibit A plus all accrued and unpaid distributions to the redemption date.

B. Procedure for Exchange of Series I Preferred Units and/or Series I Redemption.

(i) Any exchange shall be exercised pursuant to a notice of exchange (the "Series I Exchange Notice") delivered to AMB and the General Partner by the Partners representing at least 51% of the outstanding Series I Preferred Units (or by the Series I Contributor in the case of an exchange pursuant to the last sentence of Section 22.8.A.(i) hereof) by (a) fax and (b) by certified mail postage prepaid. AMB may effect any exchange of Series I Preferred Units, or the General Partner may exercise its option to cause the Partnership to redeem any portion of the Series I Preferred Units for cash pursuant to Section 22.8.A(ii) or redeem Series I Excess Units pursuant to Section 22.8.A(iii), by delivering to each holder of record of Series I Preferred Units, within ten (10) Business Days following receipt of the Series I Exchange Notice, (a) if the General Partner elects to cause the Partnership to acquire any of the Series I Preferred Units then outstanding, (1) certificates representing the Series I Preferred Shares being issued in exchange for the Series I Preferred Units of such holder being exchanged and (2) a written notice (a "Series I Redemption Notice") stating (A) the redemption date, which may be the date of such Series I Redemption Notice or any other date which is not later than sixty (60) days following the receipt of the Series I Exchange Notice, (B) the redemption price, (C) the place or places where the Series I Preferred Units are to be surrendered and (D) that distributions on the Series I

Preferred Units will cease to accrue on such redemption date, or (b) if the General Partner elects to cause the Partnership to redeem all of the Series I Preferred Units then outstanding in exchange for cash, a Series I Redemption Notice. Series I Preferred Units which are redeemed shall be deemed canceled (and any corresponding Partnership Interest represented thereby deemed terminated) on the redemption date. Holders of Series I Preferred Units shall deliver any canceled certificates representing Series I Preferred Units which have been exchanged or redeemed to the office of the General Partner (which currently is located at Pier 1, Bay 1, San Francisco, California 94111) within ten (10) Business Days of the exchange or redemption with respect thereto. Notwithstanding anything to the contrary contained herein, any and all Series I

Preferred Units to be exchanged for Series I Preferred Shares pursuant to this Section 22.8 shall be so exchanged in a single transaction at one time. As a condition to exchange, AMB may require the holders of Series I Preferred Units to make such representations as may be reasonably necessary for the General Partner to establish that the issuance of Series I Preferred Shares pursuant to the exchange shall not be required to be registered under the Securities Act or any state securities laws. Any Series I Preferred Shares issued pursuant to this Section 22.8 shall be delivered as shares which are duly authorized, validly issued, fully paid and nonassessable, free of any pledge, lien, encumbrance or restriction other than those provided in the REIT Charter, the Bylaws of AMB, the Securities Act and relevant state securities or blue sky laws.

The certificates representing the Series I Preferred Shares issued upon exchange of the Series I Preferred Units shall contain the following legend:

> THE SHARES REPRESENTED BY THIS CERTIFICATE MAY NOT BE TRANSFERRED, SOLD, ASSIGNED, PLEDGED, HYPOTHECATED OR OTHERWISE DISPOSED OF EXCEPT (A) PURSUANT TO AN EFFECTIVE REGISTRATION STATEMENT UNDER THE SECURITIES ACT OF 1933, AS AMENDED (THE "ACT"), AND STATE SECURITIES LAWS OR (B) IF THE CORPORATION HAS BEEN FURNISHED WITH A SATISFACTORY OPINION OF COUNSEL FOR THE HOLDER OF THE SHARES REPRESENTED HEREBY, OR OTHER EVIDENCE SATISFACTORY TO THE CORPORATION, THAT SUCH TRANSFER, SALE, ASSIGNMENT, PLEDGE, HYPOTHECATION OR OTHER DISPOSITION IS EXEMPT FROM THE PROVISIONS OF SECTION 5 OF THE ACT AND STATE SECURITIES LAWS AND THE RULES AND REGULATIONS THEREUNDER.

(ii) In the event of an exchange of Series I Preferred Units for Series I Preferred Shares, an amount equal to the accrued and unpaid distributions to the date of exchange on any Series I Preferred Units tendered for exchange shall (i) accrue on the Series I Preferred Shares into which such Series I Preferred Units are exchanged, and (ii) continue to accrue on such Series I Preferred Units, which shall remain outstanding following such exchange, with the General Partner as the holder of such Series I Preferred Units. Notwithstanding anything to the contrary set forth herein, in no event shall a Holder of a Series I Preferred Unit that was validly exchanged for Series I Preferred Shares pursuant to this Section (other than the General Partner holding such Series I Preferred Unit following any such exchange), receive a distribution out of Available Cash of the Partnership, if such Holder, after

exchange, is entitled to receive a distribution with respect to the Series I Preferred Shares for which such Series I Preferred Unit was exchanged or redeemed. Further, for purposes of the foregoing, in the event of an exchange of Series I Preferred Units for Series I Preferred Shares, if the accrued and unpaid distributions per Series I Preferred Unit is not the same for each Series I Preferred Unit, the accrued and unpaid distributions per Series I Preferred Unit for each such Series I Preferred Unit shall be equal to the greatest amount of such accrued and unpaid distributions per Series I Preferred Unit on any such unit.

(iii) Fractional Series I Preferred Shares are not to be issued upon exchange but, in lieu thereof, the General Partner will pay a cash adjustment based upon the fair market value of the Series I Preferred Shares on the day prior to the exchange date as determined in good faith by the board of directors of the General Partner.

C. Adjustment of Series I Exchange Price. In case AMB shall be a party to any transaction (including, without limitation, a merger, consolidation, statutory share exchange, tender offer for all or substantially all of AMB's capital stock or sale of all or substantially all of AMB's assets), in each case as a result of which the Series I Preferred Shares will be converted into the right to receive shares of capital stock, other securities or other property (including cash or any combination thereof), each Series I Preferred Unit will thereafter be exchangeable into the kind and amount of shares of capital stock and other securities and property receivable (including cash or any combination thereof) upon the consummation of such transaction by a holder of that number of Series I Preferred Shares or fraction thereof into which one Series I Preferred Unit was exchangeable immediately prior to such transaction. AMB may not become a party to any such transaction unless the terms thereof are consistent with the foregoing. AMB and the Operating Partnership further agree that, notwithstanding any transaction to which either may be a party (including, without limitation, any merger, consolidation, statutory share exchange, tender offer for all or substantially all of such entity's capital stock or partnership interests or sale of all or substantially all of such entity's assets), immediately following any such transaction, the issuer or issuers of any shares of capital stock and other securities into which the Series I Preferred Units shall be exchangeable pursuant to this Section 22.8 shall be the same issuer or issuers of shares of capital stock and other securities into which (i) the Series B Preferred Units are then exchangeable (or, if the Series B Preferred Units have previously been redeemed in full, would have been then exchangeable if then still outstanding), (ii) the Series D Preferred Units are then exchangeable (or, if the Series D Preferred Units have previously been redeemed in full, would have been then exchangeable if then still outstanding), (iii) the Series E Preferred Units are

then exchangeable (or, if the Series E Preferred Units have previously been redeemed in full, would have been then exchangeable if then still outstanding), (iv) the Series F Preferred Units are then exchangeable (or, if the Series F Preferred Units have previously been redeemed in full, would have been then exchangeable if then still outstanding) and (v) the Series H Preferred Units are then exchangeable (or, if the Series H Preferred Units have previously been redeemed in full, would have been then exchangeable if then still outstanding).

Section 22.9. No Conversion Rights

The Series I Preferred Units shall not be convertible into any other class or series of interest in the Partnership.

Section 22.10. No Sinking Fund

No sinking fund shall be established for the retirement or redemption of Series I Preferred Units.

(Signature Pages Follow)

IN WITNESS WHEREOF, the parties hereto have executed this Agreement as of the date first above written.

GENERAL PARTNER:

AMB PROPERTY HOLDING CORPORATION,
a Maryland corporation

By: /s/ Michael A. Coke

Michael A. Coke
Executive Vice President and Chief Financial Officer

COMMON LIMITED PARTNER:

AMB PROPERTY, L.P., a Delaware limited partnership

By: AMB Property Corporation,
its general partner

By: /s/ Michael A. Coke

Michael A. Coke
Executive Vice President and Chief Financial Officer

GENERAL PARTNER OF COMMON LIMITED PARTNER:

AMB PROPERTY CORPORATION,
a Maryland corporation

By: /s/ Michael A. Coke

Michael A. Coke
Executive Vice President and Chief Financial Officer

EXHIBIT A

PARTNERS, CONTRIBUTIONS, AND PARTNERSHIP INTERESTS

I. COMMON UNITS

<TABLE>
<CAPTION>

Name of Partner	Contribution Date	Cash Contributions	Agreed Value of Contributed Property	Total Contributions	Partnership Units	Percentage Interest

<S>	<C>	<C>	<C>	<C>	<C>	<C>
GENERAL PARTNER:						
AMB Property Holding Corporation	11/26/97	--	$3,626,023	$3,626,023	172,668	.99725%
LIMITED PARTNERS:						
AMB Property, L.P.	11/26/97	--	$358,976,301	$358,976,301	17,094,110	98.72782%
	06/30/98	--	$1,161,489	$1,161,489	47,602	.27493%
TOTAL COMMON UNITS		--	$363,763,813	$363,763,813	17,314,380	100.0000%

</TABLE>

EXHIBIT A

PARTNERS, CONTRIBUTIONS, AND PARTNERSHIP INTERESTS

II. SERIES C PREFERRED UNITS

<TABLE>
<CAPTION>

Name of Partner	Contribution Date	Cash Contributions	Agreed Value of Contributed Property	Total Contributions	Series C Partnership Units	Percentage Interest
<S>	<C>	<C>	<C>	<C>	<C>	<C>
LIMITED PARTNER:						
Belcrest Realty Corporation	11/24/98	$24,000,000	--	$24,000,000	480,000	21.81818%
Belair Real Estate Corporation	11/24/98	$86,000,000	--	$86,000,000	1,720,000	78.18182%
Belcrest Realty Corporation	2/23/99	--	--	--	381,000	17.31818%
Belair Real Estate Corporation	2/23/99	--	--	--	(381,000)	(17.31818%)
Belcrest Realty Corporation	4/29/99	--	--	--	239,000	10.86364%
Belair Real Estate Corporation	4/29/99	--	--	--	(239,000)	(10.86364%)
Argosy Realty Corporation	7/9/99	--	--	--	32,506	1.47755%
Belmar Realty Corporation	7/9/99	--	--	--	32,506	1.47755%
Belport Realty Corporation	7/9/99	--	--	--	32,506	1.47755%
Belrieve Realty Corporation	7/9/99	--	--	--	32,506	1.47755%
Belair Real Estate Corporation	7/9/99	--	--	--	(130,024)	(5.91018%)
Belcrest Realty Corporation	7/28/99	--	--	--	300,000	13.63636%
Belair Real Estate Corporation	7/28/99	--	--	--	(300,000)	(13.63636%)
Belmar Realty Corporation	3/17/00	--	--	--	(32,506)	(1.47755%)
Belcrest Realty Corporation	3/17/00	--	--	--	(250,000)	(11.36364%)
Belair Real Estate Corporation	3/17/00	--	--	--	282,506	12.84118%
Belair Real Estate Corporation	12/19/00	--	--	--	32,506	1.47755%
Altavera Realty Corporation, formerly known as Belrieve Realty Corporation	12/19/00	--	--	--	(32,506)	(1.47755%)
Belport Realty Corporation	3/14/01	--	--	--	(32,506)	(1.47755%)

Name of Partner	Contribution Date	Cash Contributions	Agreed Value of Contributed Property	Total Contributions	Series C Partnership Units	Percentage Interest
Belair Real Estate Corporation	3/14/01	--	--	--	32,506	1.47755%
Argosy Realty Corporation	12/5/01	--	--	--	(32,506)	(1.47755%)
Belair Real Estate Corporation	12/5/01	--	--	--	(1,017,494)	(46.24972%)
Belcrest Realty Corporation	12/5/01	--	--	--	(1,150,000)	(52.27272%)
TOTAL SERIES C PREFERRED UNITS		$110,000,000	--	$110,000,000	0	000.0000%

</TABLE>

III. SERIES D PREFERRED UNITS

<TABLE>
<CAPTION>

Name of Partner	Contribution Date	Cash Contributions	Agreed Value of Contributed Property	Total Contributions	Series D Partnership Units	Percentage Interest
LIMITED PARTNER:						
J.P. Morgan Mosaic Fund, LLC	5/5/99	$79,766,850	--	$79,766,850	1,595,337	100.0000%
J.P. Morgan Mosaic Fund, LLC	12/31/01	--	--	--	(1,595,337)	(100.0000%)
JPM Mosaic I REIT, Inc.	12/31/01	--	--	--	1,595,337	100.0000%
TOTAL SERIES D PREFERRED UNITS		$79,766,850	--	$79,766,850	1,595,337	100.0000%

</TABLE>

IV. SERIES E PREFERRED UNITS

<TABLE>
<CAPTION>

Name of Partner	Contribution Date	Cash Contributions	Agreed Value of Contributed Property	Total Contributions	Series E Partnership Units	Percentage Interest
LIMITED PARTNER:						
Fifth Third Equity Exchange Fund 1999, LLC	8/31/99	$11,022,000	--	$11,022,000	220,440	100.0000%
TOTAL SERIES E PREFERRED UNITS		$11,022,000	--	$11,022,000	220,440	100.0000%

</TABLE>

V. SERIES F PREFERRED UNITS

<TABLE>
<CAPTION>

			Agreed Value of		Series F

Name of Partner	Contribution Date	Cash Contributions	Contributed Property	Total Contributions	Partnership Units	Percentage Interest
<S>	<C>	<C>	<C>	<C>	<C>	<C>
LIMITED PARTNER:						
Bailard, Biehl & Kaiser Technology Exchange Fund, LLC	3/22/00	$19,871,950	--	$19,871,950	397,439	100.0000%
Bailard, Biehl & Kaiser Technology Exchange Fund, LLC	7/31/02	--	--	--	(130,000)	(32.70942%)
TOTAL SERIES F PREFERRED UNITS		$19,871,950	--	$19,871,950	267,439	100.0000%

</TABLE>

VI. SERIES G PREFERRED UNITS

<TABLE>
<CAPTION>

Name of Partner	Contribution Date	Cash Contributions	Agreed Value of Contributed Property	Total Contributions	Series G Partnership Units	Percentage Interest
<S>	<C>	<C>	<C>	<C>	<C>	<C>
LIMITED PARTNER:						
Bailard, Biehl & Kaiser Technology Exchange Fund, LLC	8/29/00	$1,000,000	--	$1,000,000	20,000	100.0000%
Bailard, Biehl & Kaiser Technology Exchange Fund, LLC	7/31/02	--	--	--	(20,000)	(100.0000%)
TOTAL SERIES G PREFERRED UNITS		$1,000,000	--	$1,000,000	0	000.0000%

</TABLE>

VII. SERIES H PREFERRED UNITS

<TABLE>
<CAPTION>

Name of Partner	Contribution Date	Cash Contributions	Agreed Value of Contributed Property	Total Contributions	Series H Partnership Units	Percentage Interest
<S>	<C>	<C>	<C>	<C>	<C>	<C>
LIMITED PARTNER:						
J.P. Morgan Mosaic Fund IV, LLC	9/1/00	$42,000,000	--	$42,000,000	840,000	100.0000%
J.P. Morgan Mosaic Fund IV, LLC	12/31/01	--	--	--	(840,000)	(100.0000%)
JPM Mosaic IV REIT, Inc.	12/31/01	--	--	--	840,000	100.0000%
TOTAL SERIES H PREFERRED UNITS		$42,000,000	--	$42,000,000	840,000	100.0000%

</TABLE>

VIII. SERIES I PREFERRED UNITS

Name of Partner	Contribution Date	Cash Contributions	Agreed Value of Contributed Property	Total Contributions	Series I Partnership Units	Percentage Interest
LIMITED PARTNER:						
J.P. Morgan Chase Mosaic Fund V, LLC	3/21/01	$25,500,000	--	$25,500,000	510,000	100.0000%
J.P. Morgan Chase Mosaic Fund V, LLC	12/31/01	--	--	--	(510,000)	(100.0000%)
JPM Mosaic V REIT, Inc.	12/31/01	--	--	--	510,000	100.0000%
TOTAL SERIES I PREFERRED UNITS		$25,500,000	--	$25,500,000	510,000	100.0000%
TOTAL ALL SERIES OF PREFERRED UNITS		$269,288,850	--	$269,288,850	3,055,777	100.0000%

</TABLE>

EXHIBIT B

NOTICE OF REDEMPTION

The undersigned hereby irrevocably (i) exchanges ____________ Limited Partnership Units in AMB Property II, L.P. in accordance with the terms of the Eleventh Amended and Restated Agreement of Limited Partnership of AMB Property II, L.P. dated as of July 31, 2002 and the rights of Series ____ Redemption referred to therein, (ii) surrenders such Limited Partnership Units and all right, title and interest therein and (iii) directs that the cash (or, if applicable, Preferred Stock) deliverable upon Series ___ Redemption or exchange be delivered to the address specified below, and if applicable, that such Preferred Stock be registered or placed in the name(s) and at the address(es) specified below.

Dated: -------------------------------

Name of Limited Partner:

(Signature of Limited Partner)

(Street Address)

(City) (State) (Zip Code)

Signature Guaranteed by:

Issue Shares in the name of:

Please insert social security or identifying number:

Address (if different than above):

EXHIBIT C

CONSTRUCTIVE OWNERSHIP DEFINITION

The term "Constructively Owns" means ownership determined through the application of the constructive ownership rules of Section 318 of the Code, as modified by Section 856(d)(5) of the Code. Generally, these rules provide the following:

a. an individual is considered as owning the Ownership Interest that is owned, actually or constructively, by or for his spouse, his children, his grandchildren, and his parents;

b. an Ownership Interest that is owned, actually or constructively, by or for a partnership, limited liability company or estate is considered as owned proportionately by its partners, members or beneficiaries;

c. an Ownership Interest that is owned, actually or constructively, by or for a trust is considered as owned by its beneficiaries in proportion to the actuarial interest of such beneficiaries (provided, however, that in the case of a "grantor trust" the Ownership Interest will be considered as owned by the grantors);

d. if ten percent (10%) or more in value of the stock in a corporation is owned, actually or constructively, by or for any person, such person shall be considered as owning the Ownership Interest that is owned, actually or constructively, by or for such corporation in that proportion which the value of the stock which such person so owns bears to the value of all the stock in such corporation;

e. an Ownership Interest that is owned, actually or constructively, by or for a partner or member which actually or constructively owns a 25% or greater capital interest or profits interest in a partnership or limited liability company, or by or for a beneficiary of an estate or trust, shall be considered as owned by the partnership, limited liability company, estate, or trust (or, in the case of a grantor trust, the grantors);

f. if ten percent (10%) or more in value of the stock in a corporation is owned, actually or constructively, by or for any person, such corporation shall be considered as owning the Ownership Interest that is owned, actually or constructively, by or for such person;

g. if any person has an option to acquire an Ownership Interest (including an option to acquire an option or any one of a series of such options), such Ownership Interest shall be considered as owned by such person;

h. an Ownership Interest that is constructively owned by a person by reason of the application of the rules described in paragraphs (a) through (g) above shall, for purposes of applying paragraphs (a) through (g), be considered as actually owned by such person provided, however, that (i) an Ownership Interest constructively owned by an individual by reason of paragraph (a) shall not be considered as owned by him for purposes of again applying paragraph (a) in order to make another the constructive owner of such Ownership Interest, (ii) an Ownership Interest constructively owned by a partnership, estate, trust, or corporation by reason of the application of paragraphs (e) or (f) shall not be considered as owned by it for purposes of applying paragraphs (b), (c), or (d) in order to make another the constructive owner of such Ownership Interest, (iii) if an Ownership Interest may be considered as owned by an individual under paragraphs (a) or (g), it shall be considered as owned by him under paragraph (g) and (iv) for purposes of the above described rules, an S corporation shall be treated as a partnership and any stockholder of the S corporation shall be treated as a partner of such partnership except that this rule shall not apply for purposes of determining whether stock in the S corporation is constructively owned by any person.

i. For purposes of the above summary of the constructive ownership rules, the term "Ownership Interest" means the ownership of stock with respect to a corporation and, with respect to any other type of entity, the ownership of an interest in either its assets or net profits.

EXHIBIT D-1

FORM OF PARTNERSHIP UNIT CERTIFICATE

CERTIFICATE FOR PARTNERSHIP UNITS OF

AMB PROPERTY II, L.P.

No. _______________ UNITS ____________

AMB Property Holding Corporation as the General Partner of AMB Property II, L.P., a Delaware limited partnership (the "Operating Partnership"), hereby certifies that is a Limited Partner of the Operating Partnership whose Partnership Interests therein, as set forth in the Eleventh Amended and Restated Agreement of Limited Partnership of AMB Property II, L.P., dated as of July 31, 2002 (as it may be amended, modified or supplemented from time to time in accordance with its terms, (the "Partnership Agreement"), under which the Operating Partnership is existing and as filed in the office of the Delaware [State Department of Assessments and Taxation] (copies of which are on file at the Operating Partnership's principal office at _______________________________, represent ___________ units of limited partnership interest in the Operating Partnership (the "Partnership Units").

THE PARTNERSHIP UNITS REPRESENTED BY THIS CERTIFICATE OR INSTRUMENT MAY NOT BE TRANSFERRED, SOLD, ASSIGNED, PLEDGED, HYPOTHECATED OR OTHERWISE DISPOSED OF UNLESS SUCH TRANSFER, SALE, ASSIGNMENT, PLEDGE, HYPOTHECATION OR OTHER DISPOSITION COMPLIES WITH THE PROVISIONS OF THE PARTNERSHIP AGREEMENT (A COPY OF WHICH IS ON FILE WITH THE OPERATING PARTNERSHIP). EXCEPT AS OTHERWISE PROVIDED IN THE PARTNERSHIP AGREEMENT, NO TRANSFER, SALE, ASSIGNMENT, PLEDGE, HYPOTHECATION OR OTHER DISPOSITION OF THE PARTNERSHIP UNITS REPRESENTED BY THIS CERTIFICATE MAY BE MADE EXCEPT (A) PURSUANT TO AN EFFECTIVE REGISTRATION STATEMENT UNDER THE SECURITIES ACT OF 1933, AS AMENDED (THE "ACT"), OR (B) IF THE OPERATING PARTNERSHIP HAS BEEN FURNISHED WITH A SATISFACTORY OPINION OF COUNSEL FOR THE HOLDER OF THE PARTNERSHIP UNITS REPRESENTED BY THIS CERTIFICATE THAT SUCH TRANSFER, SALE ASSIGNMENT, PLEDGE, HYPOTHECATION OR OTHER DISPOSITION IS EXEMPT FROM THE PROVISIONS OF SECTION 5 OF THE ACT AND THE RULES AND REGULATIONS IN EFFECT THEREUNDER.

DATED: ______________________, 2002.

AMB PROPERTY HOLDING CORPORATION

General Partner of
AMB Property II, L.P.

ATTEST:

By: _______________________________ By: ______________________________

EXHIBIT E

SCHEDULE OF PARTNERS' OWNERSHIP

WITH RESPECT TO TENANTS

None

EXHIBIT F

SCHEDULE OF REIT SHARES

ACTUALLY OR CONSTRUCTIVELY OWNED BY 25% LIMITED PARTNERS

OTHER THAN THOSE ACQUIRED PURSUANT TO AN EXCHANGE

None

EXHIBIT G

SCHEDULE OF CERTAIN AGREEMENTS RELATING TO

PROPERTIES WITH RESTRICTIONS ON DISPOSITION

PURSUANT TO SECTION 7.3.F

1. APLP II Contribution Agreement dated as of May 21, 1998, by and between Hayes Realty Company, an Illinois general partnership and AMB Property II, L.P., a Delaware limited partnership.

EXHIBIT H

SCHEDULE OF CERTAIN AGREEMENTS CONTAINING

LIMITATIONS ON GENERAL PARTNERS GENERAL AUTHORITY

1. APLP II Contribution Agreement dated as of May 21, 1998, by and between Hayes Realty Company, an Illinois general partnership and AMB Property II, L.P., a Delaware limited partnership.

EXHIBIT I

RESTRICTIONS ON OWNERSHIP AND TRANSFER TO PRESERVE TAX BENEFIT

(a) Definitions. for the purposes of this Exhibit I, the following terms shall have the following meanings:

"Charitable Beneficiary" shall mean one or more beneficiaries of a Trust, as determined pursuant to subsection (c)(vi), each of which shall be an organization described in Sections 170(b)(1)(A), 170(c)(2) and 501(c)(3) of the Code.

"Code" shall mean the Internal Revenue Code of 1986, as amended.

"Constructive Ownership" shall mean ownership of Partnership Units by a Person who is or would be treated as an owner of such Partnership Units either actually or constructively through the application of Section 318 of the Code, as modified by Section 856(d)(5) of the Code. The terms "Constructive Owner," "Constructively Owns" and "Constructively Owned" shall have the correlative meanings.

"Exempted Person" shall mean any Person exempted from time to time by the General Partner in its sole and absolute discretion. The Operating Partnership shall be considered an Exempted Person.

"Market Price" shall mean the market price of the Partnership Units on the relevant date as determined in good faith by the General Partner; provided, however, if AMB has outstanding shares of capital stock which correspond to such Partnership Units (i.e., the Series D Preferred Shares), the Market Price of each such Partnership Unit shall be equal to the Value of a share of such capital stock, subject to adjustment if the right to exchange such Partnership Units for such stock is other than one to one.

"Ownership Limit" shall mean 24.9% of the capital or profits interests of the Partnership.

"Person" shall mean an individual, corporation, partnership, limited liability company, estate, trust (including a trust qualified under Section 401(a) or 501(c)(17) of the Code), a portion of a trust permanently set aside for or to be used exclusively for the purposes described in Section 642(c) of the Code, association, private foundation within the meaning of Section 509(a) of the Code, joint stock company or other entity.

"Purported Beneficial Transferee" shall mean, with respect to any purported Transfer (or other event) which results in a transfer to a Trust, as provided in

subsection (b)(ii), the Purported Record Transferee, unless the Purported Record Transferee would have acquired or owned Partnership Units for another Person who is the beneficial transferee or owner of such Partnership Units, in which case the Purported Beneficial Transferee shall be such Person.

"Purported Record Transferee" shall mean, with respect to any purported Transfer (or other event) which results in a transfer to a Trust, as provided in subsection (b)(ii), the holder of the Partnership Units as set forth or to be set forth in Exhibit A to the Partnership Agreement, and any Assignee of such Partnership Units, if such Transfer or ownership had been valid under subsection (b)(i).

"Restriction Termination Date" shall mean the first day after the date hereof on which the General Partner determines, in its sole and absolute discretion, that compliance with subsection (b)(i) is

no longer necessary or advisable.

"Transfer" shall mean any sale, transfer, gift, assignment, devise or other disposition of Partnership Units, (including (i) the granting of any option or entering into any agreement for the sale, transfer or other disposition of Partnership Units or (ii) the sale, transfer, assignment or other disposition of any securities (or rights convertible into or exchangeable for Partnership Units)), whether voluntary or involuntary, whether such transfer has occurred of record or beneficially or Constructively (including but not limited to transfers of interests in other entities which results in changes in Constructive Ownership of Partnership Units), and whether such transfer has occurred by operation of law or otherwise.

"Trust" shall mean each of the trusts provided for in subsection (c).

"Trustee" shall mean any Person unaffiliated with the Partnership, or a Purported Beneficial Transferee, or a Purported Record Transferee, that is appointed by the Partnership to serve as trustee of a Trust.

Capitalized terms used and not defined herein shall have the meanings ascribed to them in the Third Amended and Restated Agreement of Limited Partnership of AMB Property II, L.P. (the "Partnership Agreement"), as such agreement may be amended from time to time. All references to "Section" refer to the Partnership Agreement.

(b) Restriction on Ownership and Transfers.

(i) Prior to the Restriction Termination Date, no Person, other than an Exempted Person, shall at any time Constructively Own Partnership Units in excess of the Ownership Limit if the representations contained in Section 3.4.D are not at such time true and correct.

(ii) If, prior to the Restriction Termination Date, any Transfer or other event occurs that, if effective, would result in any Person Constructively Owning Partnership Units in violation of subsection (b)(i), (1) then that number of Partnership Units that otherwise would cause such Person to violate subsection (b)(i) (rounded up to the nearest whole Partnership Unit) shall be automatically transferred (provided such Transfer is not in violation of the restrictions on transfer set forth in the Partnership Agreement, except to the extent the General Partner waives such restrictions) to a Trust for the benefit of a Charitable Beneficiary, as described in subsection (c), effective as of the close of business on the business day prior to the date of such Transfer or other event, and such Purported Beneficial Transferee shall thereafter have no rights in such Partnership Units or (2) if, for any reason, the transfer to the Trust described in clause (1) of this sentence is not automatically effective as provided therein to prevent any Person from Constructively Owning Partnership Units in violation of subsection (b)(i), then the Transfer of that number of Partnership Units that otherwise would cause any Person to violate subsection (b)(i) shall be void ab initio, and the Purported Beneficial Transferee shall have no rights in such Partnership Units.

(c) Transfers of Partnership Units in Trust.

(i) Upon any purported Transfer or other event described in subsection (b)(ii), such Partnership Units shall be deemed to have been transferred to the Trustee in his capacity as trustee of a Trust for the exclusive benefit of one or more Charitable Beneficiaries. Such transfer to the Trustee shall be deemed to be effective as of the close of business on the business day prior to the purported Transfer or other event that results in a transfer to the Trust pursuant to subsection (b)(ii). The Trustee shall be appointed by the Partnership and shall be a Person unaffiliated with the Partnership, any Purported Beneficial Transferee, or any Purported Record Transferee. Each Charitable Beneficiary shall be designated by the Partnership as provided in subsection (c)(vi).

(ii) Partnership Units held by the Trustee shall be issued and outstanding Partnership Units of the Partnership. The Purported Beneficial Transferee or Purported Record Transferee shall have no rights in the Partnership Units held by the Trustee. The Purported Beneficial Transferee or Purported Record Transferee shall not benefit economically from ownership of any Partnership Units held in trust by the Trustee, shall have no rights to distributions or allocations with respect to Partnership Units held in the Trust and shall not possess any rights to vote or other rights attributable to the Partnership Units held in the Trust.

(iii) The Trustee shall have all voting rights and rights to distributions and allocations with respect to Partnership Units held in the Trust, which rights shall be exercised for the exclusive benefit of the Charitable Beneficiary. Any distribution paid prior to the discovery by the

Partnership that Partnership Units have been transferred to the Trustee shall be paid to the Trustee upon demand, and any distribution with respect to such Partnership Units shall be paid when due to the Trustee. Any distributions so paid over to the Trustee shall be held in trust for the Charitable Beneficiary.

The Purported Record Transferee and Purported Beneficial Transferee shall have no voting rights with respect to the Partnership Units held in the Trust and, subject to Delaware law,

effective as of the date the Partnership Units has been transferred to the Trustee, the Trustee shall have the authority (at the Trustee's sole discretion) (i) to rescind as void any vote cast by a Purported Record Transferee with respect to such Partnership Units prior to the discovery by the Partnership that the Partnership Units has been transferred to the Trustee and (ii) to recast such vote in accordance with the desires of the Trustee acting for the benefit of the Charitable Beneficiary; provided, however, that if the Partnership has already taken irreversible action, then the Trustee shall not have the authority to rescind and recast such vote. Notwithstanding any other provision of this Exhibit I to the contrary, until the Partnership has received notification that the Partnership Units have been transferred into a Trust, the Partnership shall be entitled to rely on its Partnership Unit transfer and other unitholder records for purposes of preparing Exhibit A to the Partnership Agreement, lists of unitholders entitled to vote at meetings, and otherwise conducting votes of Partners.

(iv) Within 20 days of receiving notice from the Partnership that Partnership Units have been transferred to the Trust, the Trustee of the Trust shall, in accordance with the terms of (and subject to the limitations contained in) the Partnership Agreement, sell the Partnership Units held in the Trust to a Person, designated by the Trustee, whose ownership of the Partnership Units will not violate the ownership limitations set forth in subsection (b)(i). Upon such sale, the interest of the Charitable Beneficiary in the Partnership Units sold shall terminate and the Trustee shall distribute the net proceeds of the sale to the Purported Record Transferee and to the Charitable Beneficiary as provided in this subsection (c)(iv). The Purported Record Transferee shall receive the lesser of (1) the price paid by the Purported Record Transferee for the Partnership Units in the transaction that resulted in such transfer to the Trust (or, if the event which resulted in the transfer to the Trust did not involve a purchase of such Partnership Units at Market Price, the Market Price of such Partnership Units on the day of the event which resulted in the transfer of such Partnership Units to the Trust) and (2) the price per Partnership Unit received by the Trustee (net of any commissions and other expenses of sale) from the sale or other disposition of the Partnership Units held in the Trust. Any net sales proceeds in excess of the amount payable to the Purported Record Transferee shall be immediately paid to the Charitable Beneficiary together with any distributions thereon. If, prior to the discovery by the Partnership that Partnership Units have been transferred to the Trustee, such Partnership Units are sold by a Purported Record Transferee then (i) such Partnership Units shall be deemed to have been sold on behalf of the Trust and (ii) to the extent that the Purported Record Transferee received an amount for such Partnership Units that exceeds the amount that such Purported Record Transferee was entitled to receive pursuant to this subsection (c)(iv), such excess shall be paid to the Trustee upon demand. The expenses described in item (2) above shall include any expenses of administering the Trust, any transfer of Partnership Units thereto or disposition of Partnership Units thereby, which shall be allocated equitably among the Partnership Units which are transferred to the Trust.

(v) Partnership Units transferred to the Trustee shall be deemed to have been offered for sale to the Partnership, or its designee, at a price per Partnership Unit equal to the lesser of (i) the price paid by the Purported Record Transferee for the Partnership Units in the transaction that resulted in such transfer to the Trust (or, if the event which resulted in the transfer to the Trust did not involve a purchase of such Partnership Units at Market Price, the Market Price of such

Partnership Units on the day of the event which resulted in the transfer of such Partnership Units to the Trust) and (ii) the Market Price on the date the Partnership, or its designee, accepts such offer. The Partnership shall have the right to accept such offer until the Trustee has sold the Partnership Units held in the Trust pursuant to subsection (c)(iv). Upon such a sale to the Partnership, the interest of the Charitable Beneficiary in the Partnership Units sold shall terminate and the Trustee shall distribute the net proceeds of the sale to the Purported Record Transferee and any distributions held by the Trustee with respect to such Partnership Units shall thereupon be paid to the Charitable Beneficiary.

(vi) By written notice to the Trustee, the Partnership shall designate one or more nonprofit organizations to be the Charitable Beneficiary of the interest in the Trust such that the Partnership Units held in the Trust

would not violate the restrictions set forth in subsection (b)(i) in the hands of such Charitable Beneficiary.

(d) Remedies For Breach. If the General Partner shall at any time determine in good faith that a Transfer or other event has taken place in violation of subsection (b) or that a Person intends to acquire, has attempted to acquire or may acquire beneficial ownership (determined without reference to any rules of attribution) or Constructive Ownership of any Partnership Units of the Partnership in violation of subsection (b), the General Partner shall take such action as it deems advisable to refuse to give effect or to prevent such Transfer, including, but not limited to, causing the Partnership to redeem Partnership Units, refusing to give effect to such Transfer on the books of the Partnership or instituting proceedings to enjoin such Transfer; provided, however, that any Transfers (or, in the case of events other than a Transfer, ownership or Constructive Ownership) in violation of subsection (b)(i), shall automatically result in the transfer to a Trust as described in subsection (b)(ii).

(e) Notice of Restricted Transfer. Any Person who acquires or attempts to acquire or own Partnership Units in violation of subsection (b), or any Person who is a Purported Beneficial Transferee such that an automatic transfer to a Trust results under subsection (b)(ii), shall immediately give written notice to the Partnership of such event and shall provide to the Partnership such other information as the Partnership may request in order to determine the effect, if any, of such Transfer or attempted Transfer on such Person's compliance with subsection (b)(i).

(f) Owners Required To Provide Information. Prior to the Restriction Termination Date each Person who is a beneficial owner or Constructive Owner of Partnership Units and each Person who is holding Partnership Units for a beneficial owner or Constructive Owner shall provide to the Partnership such information that the Partnership may request, in good faith, in order to determine the Partnership's status as a partnership (as opposed to a corporation) or AMB's status as a REIT for federal income tax purposes.

(g) Remedies Not Limited. Nothing contained in this Exhibit I shall limit the authority of the General Partner to take such other action as it deems necessary or advisable to protect the Partnership and the interests of its Partners by preservation of the Partnership's status as a

partnership (as opposed to a corporation) or AMB's status as a REIT for federal income tax purposes.

(h) Ambiguity. In the case of an ambiguity in the application of any of the provisions of this Exhibit I, including any definition contained in subsection (a), the General Partner shall have the power to determine the application of the provisions of this Exhibit I with respect to any situation based on the facts known to it. In the event that a provision of this Exhibit I requires an action by the General Partner and Exhibit I fails to provide specific guidance with respect to such action, the General Partner shall have the power to determine the action to be taken so long as such action is not contrary to the provisions of Exhibit I. Absent a decision to the contrary by the General Partner (which the General Partner may make in its sole and absolute discretion), if a Person would have (but for the remedies set forth in subsection (b)) acquired Constructive Ownership of Partnership Units in violation of subsection (b)(i), such remedies (as applicable) shall apply first to the Partnership Units which, but for such remedies, would have been actually owned by such Person, and second to Partnership Units which, but for such remedies, would have been Constructively Owned (but not actually owned) by such Person, pro rata among the Persons who actually own such Partnership Units based upon the relative number of the Partnership Units held by each such Person.