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SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, DC 20549

FORM 10-Q

(MARK ONE)

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

FOR THE QUARTERLY PERIOD ENDED JUNE 30, 1999

OR

[ ] TRANSITION 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)

<TABLE>
<S> <C>

MARYLAND	94-3281941
(STATE OR OTHER JURISDICTION OF INCORPORATION OR ORGANIZATION)	(I.R.S. EMPLOYER IDENTIFICATION NO.)
505 MONTGOMERY ST., SAN FRANCISCO, CALIFORNIA	94111
(ADDRESS OF PRINCIPAL EXECUTIVE OFFICES)	(ZIP CODE)

</TABLE>

(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 [X] No [ ].

As of August 1, 1999, there were 86,521,092 shares of the Registrant's common stock, $0.01 par value per share, outstanding.

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AMB PROPERTY CORPORATION

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The following are trademarks of the Company: Strategic Alliance Programs, Development Alliance Program, Development Alliance Partners, UPREIT Alliance Program, Institutional Alliance Program, Institutional Alliance Partners, Management Alliance Program, Customer Alliance Program and Broker Alliance Program.

PART I

ITEM 1. FINANCIAL STATEMENTS

AMB PROPERTY CORPORATION

CONSOLIDATED BALANCE SHEETS
AS OF DECEMBER 31, 1998 AND JUNE 30, 1999
(UNAUDITED, DOLLARS IN THOUSANDS, EXCEPT SHARE AND PER SHARE AMOUNTS)

ASSETS

<TABLE>
<CAPTION>

	DECEMBER 31, 1998	JUNE 30, 1999
<S>	<C>	<C>
Investments in real estate:		
Land and improvements	$ 740,680	$ 666,743
Buildings and improvements	2,445,104	2,116,208
Construction in progress	183,276	189,099
Total investments in properties	3,369,060	2,972,050
Accumulated depreciation and amortization	(58,404)	(70,032)
Net investments in properties	3,310,656	2,902,018
Investment in unconsolidated joint venture	57,655	58,278
Properties held for divestiture, net	115,050	675,892
Net investments in real estate	3,483,361	3,636,188
Cash and cash equivalents	25,137	40,130
Other assets	54,387	56,226
Total assets	$3,562,885	$3,732,544

LIABILITIES AND STOCKHOLDERS' EQUITY

Debt:		
Secured debt	$ 734,196	$ 763,587
Unsecured senior debt securities	400,000	400,000
Unsecured credit facility	234,000	255,000
Total debt	1,368,196	1,418,587
Other liabilities	104,305	120,686
Total liabilities	1,472,501	1,539,273
Commitments and contingencies	--	--
Minority interests	325,024	409,662
Stockholders' equity:		
Series A preferred stock, cumulative, redeemable, $0.01 par value, 100,000,000 shares authorized, 4,000,000 shares issued and outstanding, $100,000 liquidation preference	96,100	96,100
Common stock, $0.01 par value, 500,000,000 shares authorized, 85,917,520 and 86,518,592 issued and outstanding	859	865
Additional paid-in capital	1,668,401	1,679,954
Retained earnings	--	6,690
Total stockholders' equity	1,765,360	1,783,609
Total liabilities and stockholders' equity	$3,562,885	$3,732,544

</TABLE>

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

AMB PROPERTY CORPORATION

CONSOLIDATED STATEMENTS OF OPERATIONS

FOR THE SIX AND THREE MONTHS ENDED JUNE 30, 1998 AND 1999
(UNAUDITED, DOLLARS IN THOUSANDS, EXCEPT SHARE AND PER SHARE AMOUNTS)

<TABLE>
<CAPTION>

	FOR THE SIX MONTHS ENDED JUNE 30,		FOR THE THREE MONTHS ENDED JUNE 30,	
	1998	1999	1998	1999
<S>	<C>	<C>	<C>	<C>
REVENUES				
Rental revenues	$ 159,003	$ 221,187	$ 84,401	$ 113,530
Equity in earnings of unconsolidated joint venture	--	2,328	--	1,177
Investment management and other income	1,796	1,434	613	670
Total revenues	160,799	224,949	85,014	115,377
OPERATING EXPENSES				
Property operating expenses	21,231	30,616	11,227	16,117
Real estate taxes	21,273	29,802	11,025	14,767
General and administrative	5,862	8,350	3,144	4,278
Interest, including amortization	27,561	46,558	15,720	23,591
Depreciation and amortization	25,302	33,602	13,516	15,178
Total operating expenses	101,229	148,928	54,632	73,931
Income from operations before minority Interests	59,570	76,021	30,382	41,446
Minority interests' share of net income	(3,686)	(14,706)	(2,404)	(8,145)
Net income before gain from divestiture of real estate	55,884	61,315	27,978	33,301
Gain from divestiture of real estate	--	11,525	--	11,525
Net income before extraordinary items	55,884	72,840	27,978	44,826
Extraordinary items	--	(1,509)	--	(1,509)
Net income	55,884	71,331	27,978	43,317
Series A preferred stock dividends	--	(4,250)	--	(2,125)
Net income available to common stockholders	$ 55,884	$ 67,081	$ 27,978	$ 41,192
BASIC INCOME PER COMMON SHARE:				
Before extraordinary items	$ 0.65	$ 0.80	$ 0.33	$ 0.50
Extraordinary items	--	(0.02)	--	(0.02)
Net income available to common stockholders	$ 0.65	$ 0.78	$ 0.33	$ 0.48
DILUTED INCOME PER COMMON SHARE:				
Before extraordinary items	$ 0.65	$ 0.80	$ 0.32	$ 0.50
Extraordinary items	--	(0.02)	--	(0.02)
Net income available to common stockholders	$ 0.65	$ 0.78	$ 0.32	$ 0.48
WEIGHTED AVERAGE COMMON SHARES OUTSTANDING				
Basic	85,874,513	86,143,859	85,874,513	86,286,613
Diluted	86,253,456	86,244,750	86,222,175	86,468,820

</TABLE>

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

AMB PROPERTY CORPORATION

CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE SIX MONTHS ENDED JUNE 30, 1998 AND 1999
(UNAUDITED, DOLLARS IN THOUSANDS)

<TABLE>
<CAPTION>

	FOR THE SIX MONTHS ENDED JUNE 30,	
	1998	1999
<S>	<C>	<C>
CASH FLOWS FROM OPERATING ACTIVITIES		

Net income	$ 55,884	$ 71,331
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	25,302	33,602
Straight-line rents	(5,489)	(5,523)
Amortization of debt premiums and financing costs	(1,274)	(1,413)
Minority interests' share of net income	3,686	14,706
Gain on divestiture of real estate	--	(11,525)
Non-cash portion of extraordinary items	--	(1,372)
Equity in (earnings) loss of AMB Investment Management	95	(720)
Equity in earnings of unconsolidated joint venture	--	(2,328)
Changes in assets and liabilities:		
Other assets	(6,958)	3,724
Other liabilities	4,474	16,381
Net cash provided by operating activities	75,720	116,863
CASH FLOWS FROM INVESTING ACTIVITIES		
Cash paid for property acquisitions	(246,213)	(242,712)
Additions to land, building, development costs, and other first generation improvements	(40,865)	(62,009)
Additions to second generation building improvements and lease costs	(6,341)	(12,362)
Acquisition of interest in unconsolidated joint venture	(67,149)	--
Distribution received from unconsolidated joint venture	--	1,705
Net proceeds from divestiture of real estate	--	214,729
Reduction of payable to affiliates in connection with Formation Transactions	(38,071)	--
Net cash used in investing activities	(398,639)	(100,649)
CASH FLOWS FROM FINANCING ACTIVITIES		
Issuance of common stock	--	549
Borrowings on unsecured credit facility	382,000	236,000
Borrowings on secured debt	16,914	20,992
Payments on unsecured credit facility	(395,000)	(215,000)
Payments on secured debt	(59,545)	(46,817)
Payments of financing fees	--	(104)
Net proceeds from issuance of senior debt securities	399,166	--
Net proceeds from issuance of Series D preferred units	--	77,773
Dividends paid to common and preferred stockholders	(29,413)	(63,786)
Distributions to minority interests, including preferred units	(2,004)	(10,828)
Net cash provided by financing activities	312,118	(1,221)
Net increase (decrease) in cash and cash equivalents	(10,801)	14,993
Cash and cash equivalents at beginning of period	39,968	25,137
Cash and cash equivalents at end of period	$ 29,167	$ 40,130
SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION		
Cash paid for interest	$ 26,583	$ 47,108
Non-cash transactions:		
Acquisitions of properties	$ 434,353	$ 314,726
Assumption of debt	(99,623)	(57,480)
Minority interest's contribution, including units issued	(88,517)	(14,534)
Net cash paid	$ 246,213	$ 242,712

</TABLE>

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

AMB PROPERTY CORPORATION

CONSOLIDATED STATEMENT OF STOCKHOLDERS' EQUITY
FOR THE SIX MONTHS ENDED JUNE 30, 1999
(UNAUDITED, DOLLARS IN THOUSANDS)

<TABLE>
<CAPTION>

	SERIES A PREFERRED STOCK	COMMON STOCK NUMBER OF SHARES	COMMON STOCK AMOUNT	ADDITIONAL PAID-IN CAPITAL	RETAINED EARNINGS	TOTAL
<S>	<C>	<C>	<C>	<C>	<C>	<C>
Balance at December 31, 1998	$96,100	85,917,520	$859	$1,668,401	$ --	$1,765,360
Net income	4,250	--	--	--	67,081	71,331
Issuance of restricted stock, net	--	99,069	1	2,229	--	2,230
Exercise of stock options	--	16,250	--	342	--	342

Conversion of Operating Partnership units.....	--	485,753	5	10,983	--	10,988
Deferred compensation.....	--	--	--	(2,150)	--	(2,150)
Deferred compensation amortization.....	--	--	--	215	--	215
Reallocation of Limited Partners' interests in Operating Partnership.....	--	--	--	(66)	--	(66)
Dividends.....	(4,250)	--	--	--	(60,391)	(64,641)
Balance at June 30, 1999.....	$96,100	86,518,592	$865	$1,679,954	$ 6,690	$1,783,609

</TABLE>

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

AMB PROPERTY CORPORATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 1999
(UNAUDITED, DOLLARS IN THOUSANDS,
EXCEPT PROPERTY STATISTICS, SHARE, PER SHARE AND UNIT AMOUNTS)

1. ORGANIZATION AND FORMATION

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 (the "IPO") 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 REIT. 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 and community shopping centers in target markets nationwide. Unless the context otherwise requires, the "Company" means AMB Property Corporation, the Operating Partnership and its other controlled subsidiaries.

The Company and the Operating Partnership were formed shortly before consummation of the IPO. AMB Institutional Realty Advisors, Inc., a California corporation and registered investment advisor (the "Predecessor"), formed AMB Property Corporation, a wholly owned subsidiary, and merged with and into the Company (the "Merger") in exchange for 4,746,616 shares of the Company's Common Stock (the "Common Stock"). In addition, the Company and the Operating Partnership acquired, through a series of mergers and other transactions, 31.8 million rentable square feet of industrial property and 6.3 million rentable square feet of retail property in exchange for 65,022,185 shares of the Company's Common Stock, 2,542,163 limited partner interests ("LP Units") in the Operating Partnership, the assumption of debt and, to a limited extent, cash. The net assets of the Predecessor and the properties acquired with Common Stock were contributed to the Operating Partnership in exchange for 69,768,801 LP Units. The purchase method of accounting was applied to the acquisition of the properties. Collectively, the Merger and the other formation transactions described above are referred to as the "Formation Transactions."

On November 26, 1997, the Company completed its IPO of 16,100,000 shares of Common Stock, $0.01 par value per share, for $21.00 per share, resulting in gross offering proceeds of approximately $338,100. The net proceeds of approximately $300,032 were used to repay indebtedness, to purchase interests from certain investors who elected not to receive Common Stock or LP Units in connection with the Formation Transactions, to fund property acquisitions, and for general corporate working capital requirements.

As of June 30, 1999, the Company owned an approximate 95.0% general partner interest in the Operating Partnership, excluding preferred units. The remaining 5.0% limited partner interest is owned by nonaffiliated investors. For local law purposes, properties in certain states are owned through limited partnerships and limited liability companies owned 99% by the Operating Partnership and 1% by a wholly owned subsidiary of the Company. The ownership of such properties through such entities does not materially affect the Company's overall ownership of the interests in the properties. As the sole general partner of the Operating Partnership, the Company has the full, exclusive and complete responsibility and discretion in the day-to-day management and control of the Operating Partnership.

In connection with the Formation Transactions, the Operating Partnership formed AMB Investment Management, Inc., a Maryland corporation ("AMB Investment Management"). The Operating Partnership purchased 100% of AMB Investment Management's non-voting preferred stock (representing a 95% economic interest therein). Certain current and former executive officers of the Company and an officer of AMB Investment Management collectively purchased 100% of AMB

Investment Management's voting common stock (representing a 5% economic interest therein). AMB Investment Management was formed to succeed to the Predecessor's investment management business of providing real estate investment management services on a fee basis to clients. The Operating Partnership also owns 100% of the non-voting preferred stock

of Headlands Realty Corporation, a Maryland corporation (representing a 95% economic interest therein). Certain executive officers of the Company and a director of Headlands Realty Corporation collectively own 100% of the voting common stock of Headlands Realty Corporation (representing a 5% economic interest therein). Headlands Realty Corporation invests in properties and interests in entities that engage in the management, leasing and development of properties and similar activities. The Operating Partnership accounts for its investment in AMB Investment Management and Headlands Realty Corporation using the equity method of accounting.

As of June 30, 1999, the Company owned 677 industrial buildings (the "Industrial Properties") and 29 retail centers (the "Retail Properties") located in 26 markets throughout the United States. The Industrial Properties, principally warehouse distribution buildings, encompass approximately 61.9 million rentable square feet and, as of June 30, 1999, were 95.8% leased to over 2,100 tenants. The Retail Properties, principally grocer-anchored community shopping centers, encompass approximately 5.7 million rentable square feet and, as of June 30, 1999, were 94.2% leased to over 700 tenants. The Industrial Properties and the Retail Properties collectively are referred to as the "Properties."

2. INTERIM FINANCIAL STATEMENTS

The 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 generally accepted accounting principles have been condensed or omitted. The consolidated financial statements for prior periods have been reclassified to conform to current classifications with no effect on results of operations. In the opinion of management, the accompanying unaudited consolidated financial statements contain all adjustments, of a normal recurring nature, necessary for a fair presentation of the Company's consolidated financial position and results of operations for the interim periods.

The interim results of the six and three months ended June 30, 1998 and 1999 are not necessarily indicative of the results expected for the entire year. 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, 1998.

The preparation of financial statements in conformity with generally accepted accounting principles 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.

3. REAL ESTATE ACQUISITION AND DEVELOPMENT ACTIVITY

During the second quarter of 1999, the Company acquired $200,845 in operating properties, consisting of 62 industrial buildings, aggregating 3.1 million square feet. The Company did not initiate any new development projects during the quarter. Two development projects, aggregating approximately 0.2 million square feet, were completed during the quarter, at a total aggregate cost of $7,800. As of June 30, 1999, the Company had 14 industrial projects, aggregating approximately 3.7 million square feet, in its development pipeline, with a total estimated cost of $180,300 upon completion, and two retail projects, aggregating approximately 0.3 million square feet, in its development pipeline, with a total estimated cost of $46,100 upon completion.

4. PROPERTY HELD FOR DIVESTITURE AND PROPERTY DIVESTITURE

On March 9, 1999, the Operating Partnership signed three separate

definitive agreements with BPP Retail, LLC ("BPP Retail"), a co-investment entity between Burnham Pacific ("BPP") and the California Public Employees' Retirement System ("CalPERS"), pursuant to which, if fully consummated, BPP Retail would have acquired up to 28 retail shopping centers, totaling approximately 5.1 million square feet, for an aggregate price of $663,400. The sale of five of the properties is subject to the consent of the Company's joint venture partners. One of the Company's joint venture partners who holds an interest in three of the properties has indicated that it will not consent to the sale of these properties at this time. The Company has received consents from its joint venture partners for the sale of the other two properties. As a result, the price with respect to the 25 remaining properties, totaling approximately 4.3 million square feet, is approximately $560,400. The Company intends to dispose of these three properties or its interests in the joint ventures through which it holds the properties.

Pursuant to the agreements, BPP Retail will acquire the 25 centers in separate transactions. Under the agreements, the Operating Partnership has the right to extend the closing dates for a period of up to either 20 or 50 days. The Operating Partnership has exercised this right with respect to the first and second transactions, which occurred on June 15, 1999 and August 4, 1999, respectively. Pursuant to the closing of the first transaction, BPP Retail acquired nine retail shopping centers, totaling approximately 1.4 million square feet, for an aggregate price of approximately $207,400. The Company used the proceeds from the first transaction to repay secured debt related to the properties divested, to partially repay amounts outstanding under the Company's unsecured credit facility, to pay transaction expenses, for potential acquisitions and for general corporate purposes. This divestiture resulted in an approximate gain of $11,800 and an approximate extraordinary loss of $1,500, consisting of prepayment penalties with an off-set for debt premium write-off related to the indebtedness extinguished. On August 4, 1999, the second transaction with BPP Retail closed. Pursuant to the closing of the second transaction, BPP Retail acquired 12 of the Company's retail shopping centers, totaling approximately 2.1 million square feet, for an aggregate price of $245,800. The Company used the proceeds from the second transaction to repay secured debt related to the properties divested, to partially repay amounts outstanding under the Company's unsecured credit facility, to pay transaction expenses, for potential acquisitions and for general corporate purposes. The Company currently expects the third transaction to close on or about December 1, 1999.

In addition, the Operating Partnership entered into a definitive agreement, subject to a financing condition, with BPP, pursuant to which, if fully consummated, BPP would have acquired up to six additional retail centers, totaling approximately 1.5 million square feet, for approximately $284,400. On June 30, 1999, this agreement was terminated pursuant to its terms as a result of BPP's decision not to waive the financing condition. The Company currently intends to dispose of the six retail properties, either on an individual or portfolio basis, or its interests in the joint ventures through which it holds the properties.

The Company intends to use the proceeds of approximately $107,200 from the divestiture of the remaining four retail centers to BPP Retail in the third transaction to pay approximately $26,500 in partial repayment of amounts outstanding under the Company's unsecured credit facility, to pay transaction expenses, for potential acquisitions and for general corporate purposes.

In connection with the BPP Retail transactions, the Company has granted CalPERS an option to purchase up to 2,000,000 shares of the Company's common stock for an exercise price of $25.00 per share that CalPERS may exercise on or before March 31, 2000. The Company has registered the 2,000,000 shares of common stock issuable upon exercise of the option.

Although the remaining transaction with BPP Retail has a discretionary due diligence period, it is subject to certain customary closing conditions, which are generally applied on a property-by-property basis. BPP has announced that it has received and is reviewing a merger proposal. The Company does not believe that the contractual obligations of BPP Retail with respect to the purchase of the retail centers will be affected by any resulting merger. BPP Retail has posted a deposit of $8,375 on the remaining transaction. BPP Retail's liability in the event of its default under a definitive agreement is limited to its deposit. Although the Company believes that the remaining transaction with BPP Retail is probable, the transaction might not close as scheduled or close at all, and it is possible that the transaction may close with respect to just a portion of the properties currently subject to the agreement.

As of June 30, 1999, the net carrying value of the properties held for divestiture, comprised of 25 retail centers and 16 industrial buildings, was

$675,892. Certain of the properties included in these transactions are subject to indebtedness which totaled $150,520 as of June 30, 1999.

The following summarizes the condensed results of operations of the properties held for divestiture for the six and three months ended June 30, 1998 and 1999:

<TABLE>
<CAPTION>

	PROPERTIES HELD FOR DIVESTITURE					
	INDUSTRIAL		RETAIL		TOTAL	
SIX MONTHS ENDED JUNE 30,	1998	1999	1998	1999	1998	1999
<S>	<C>	<C>	<C>	<C>	<C>	<C>
Income	$2,390	$2,311	$40,154	$43,230	$42,544	$45,541
Property operating expenses	481	554	11,988	12,667	12,469	13,221
Net operating income	$1,909	$1,757	$28,166	$30,563	$30,075	$32,320

</TABLE>

<TABLE>
<CAPTION>

	INDUSTRIAL		RETAIL		TOTAL	
THREE MONTHS ENDED JUNE 30,	1998	1999	1998	1999	1998	1999
<S>	<C>	<C>	<C>	<C>	<C>	<C>
Income	$1,204	$1,223	$20,017	$21,691	$21,221	$22,914
Property operating expenses	223	305	6,163	6,274	6,386	6,579
Net operating income	$ 981	$ 918	$13,854	$15,417	$14,835	$16,335

</TABLE>

In June 1999, the Company also divested itself of one industrial building located in Bolingbrook, Illinois, aggregating 0.3 million square feet. The building was divested at a gross price of $10,500.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 1999
(UNAUDITED, DOLLARS IN THOUSANDS,
EXCEPT PROPERTY STATISTICS, SHARE, PER SHARE AND UNIT AMOUNTS)

5. DEBT

As of December 31, 1998 and June 30, 1999, debt consisted of the following:

<TABLE>
<CAPTION>

	DECEMBER 31, 1998	JUNE 30, 1999
<S>	<C>	<C>
Secured debt, varying interest rates from 4.0% to 10.0% due May 2000 to April 2014	$ 718,979	$ 750,623
Unsecured senior debt securities, weighted average Interest rate of 7.2%, due June 2008, June 2015 and June 2018	400,000	400,000
Unsecured credit facility, variable interest at LIBOR plus 90 to 120 basis points (6.6% at June 30, 1999, based on 30-day LIBOR of 5.2%), due November 2000	234,000	255,000
Subtotal	1,352,979	1,405,623
Unamortized debt premiums	15,217	12,964
Total consolidated debt	$1,368,196	$1,418,587

</TABLE>

Secured debt generally requires monthly principal and interest payments. The secured debt is secured by deeds of trust on certain Properties. As of June 30, 1999, the total gross investment value of those Properties secured by debt was $1,435,550. All of the secured debt bears interest at fixed rates, except for two loans with an aggregate principal amount of $10,491 which bear interest at a variable rate. The secured debt has various financial and non-financial covenants. Additionally, certain of the secured debt is cross-collateralized. In the second quarter of 1999, as part of a property acquisition transaction, the Company assumed $13,724 of secured debt at a weighted average interest rate of 9.9%, maturing between October 2000 and January 2005.

(UNAUDITED, DOLLARS IN THOUSANDS,
EXCEPT PROPERTY STATISTICS, SHARE, PER SHARE AND UNIT AMOUNTS)

Interest on the senior debt securities is payable semiannually in each June and December commencing December 1998. The 2015 notes are putable and callable in June 2005. The senior debt securities are subject to various financial and non-financial covenants.

The Company has a $500,000 unsecured revolving credit agreement (the "Credit Facility") with Morgan Guaranty Trust Company of New York, as agent, and a syndicate of twelve other banks. The Credit Facility has an original term of three years and is subject to a fee that accrues on the daily average undrawn funds, which varies between 15 and 25 basis points of the undrawn funds based on the Company's credit rating. The Credit Facility has various financial and non-financial covenants.

Capitalized interest related to construction projects for the six and three months ended June 30, 1998 and 1999 was $3,098, $5,457, $1,845 and $2,874, respectively.

The scheduled maturities of the Company's total debt, excluding unamortized debt premiums, as of June 30, 1999 are as follows:

<TABLE>
<CAPTION>

	SECURED DEBT	UNSECURED SENIOR DEBT SECURITIES	UNSECURED CREDIT FACILITY	TOTAL
<S>	<C>	<C>	<C>	<C>
1999 (six months)	$ 7,470	$ --	$ --	$ 7,470
2000	44,861	--	255,000	299,861
2001	43,944	--	--	43,944
2002	62,612	--	--	62,612
2003	108,790	--	--	108,790
2004	92,557	--	--	92,577
2005	69,212	100,000	--	169,212
2006	145,874	--	--	145,874
2007	38,504	--	--	38,504
2008	127,742	175,000	--	302,742
Thereafter	9,057	125,000	--	134,057
Subtotal	$750,623	$400,000	$255,000	$1,405,623

</TABLE>

6. MINORITY INTERESTS IN CONSOLIDATED JOINT VENTURE

Minority interests in the Company represent the limited partnership interests in the Operating Partnership and interests held by certain third parties (some of which are Institutional Alliance Partners) in 18 joint ventures, through which 21 properties are held, that are consolidated for financial reporting purposes. Such investments are consolidated because (i) the Company owns a majority interest or (ii) the Company holds significant control over the entity through a 50% or greater ownership interest combined with the ability to control major operating decisions such as approval of budgets, selection of property managers and changes in financing.

The following table distinguishes the minority interest ownership held by certain joint venture partners, Institutional Alliance Partners, the limited partners in the Operating Partnership, the Series B Preferred Unit holders' interest in the Operating Partnership, the Series C Preferred Unit holders' interest in an indirect subsidiary of the Company and the Series D Preferred Unit holders' interest in an indirect subsidiary of the Company, as of the quarter ended June 30, 1999 and for the six and three months ended June 30, 1999.

<TABLE>
<CAPTION>

		MINORITY INTEREST SHARE OF NET INCOME	
	MINORITY INTEREST LIABILITY AS OF JUNE 30, 1999	SIX MONTHS ENDED JUNE 30, 1999	THREE MONTHS ENDED JUNE 30, 1999
<S>	<C>	<C>	<C>
Joint venture partners	$ 17,780	$ 910	$ 554
Institutional Alliance Partners	56,023	1,800	741

(UNAUDITED, DOLLARS IN THOUSANDS,
EXCEPT PROPERTY STATISTICS, SHARE, PER SHARE AND UNIT AMOUNTS)

Limited partners in the Operating Partnership.....	89,900	3,521	2,183
Series B Preferred Units (liquidation preference of $65,000).....	62,320	2,804	1,402
Series C Preferred Units (liquidation preference of $110,000).....	105,866	4,812	2,406
Series D Preferred Units (liquidation preference of $79,767).....	77,773	859	859
	$409,662	$14,706	$8,145

</TABLE>

7. INVESTMENT IN UNCONSOLIDATED JOINT VENTURE

The Company has a 56.1% non-controlling limited partnership interest in one unconsolidated equity investment joint venture which was purchased in June 1998. The joint venture owns 36 industrial buildings totaling approximately 4.0 million square feet in the Chicago market. For the six and three month periods ended June 30, 1999, the Company's share of net operating income was $3,992 and $2,014, respectively, and as of June 30, 1999, the Company's share of the unconsolidated joint venture debt was $19,472, which had a weighted average interest rate of 6.49%.

8. STOCKHOLDERS' EQUITY

On June 4, 1999, the Company and the Operating Partnership declared a quarterly cash distribution of $0.35 per share of common stock and LP Unit, for the quarter ending June 30, 1999, payable on July 15, 1999, to stockholders and unitholders of record as of July 6, 1999. On June 4, 1999, the Company declared a cash dividend of $0.53125 per share on its Series A Preferred Stock, and the Operating Partnership declared a cash distribution of $0.53125 per unit on its Series A Preferred Units, for the three month period ending July 14, 1999, payable on July 15, 1999, to stockholders and unitholders of record as of June 30, 1999.

9. INCOME PER SHARE

The Company's only dilutive securities outstanding for the six and three months ended June 30, 1998 and 1999 were stock options granted under its stock incentive plan. The effect of the stock options was to increase weighted average shares outstanding by 378,943 and 100,891 shares for the six months ended June 30, 1998 and 1999, respectively, and by 347,662 and 182,206 shares for the three months ended June 30, 1998 and 1999, respectively. Such dilution was computed using the treasury stock method.

10. SEGMENT INFORMATION

The Company has two reportable segments: Industrial Properties and Retail Properties. The Industrial Properties consist primarily of warehouse distribution facilities suitable for single or multiple tenants and are typically comprised of multiple buildings and are leased to tenants engaged in various types of businesses. The Retail Properties are generally leased to one or more anchor tenants, such as grocery and drug stores, and various retail businesses. The accounting policies of the segments are the same as those described in the Company's Annual Report on Form 10-K for the year ended December 31, 1998. The Company evaluates performance based upon property net operating income and contribution to funds from operations ("FFO") from the combined properties in each segment. The Company's properties are managed separately because each segment requires different operating, pricing and leasing strategies. Significant information used by the Company for the reportable segments is as follows:

<TABLE>
<CAPTION>

	INDUSTRIAL PROPERTIES		RETAIL PROPERTIES		TOTAL PROPERTIES	
	SIX MONTHS ENDED	THREE MONTHS ENDED	SIX MONTHS ENDED	THREE MONTHS ENDED	SIX MONTHS ENDED	THREE MONTHS ENDED
<S>	<C>	<C>	<C>	<C>	<C>	<C>
RENTAL REVENUES:						
June 30, 1998.....	$106,583	$57,918	$52,420	$26,483	$159,003	$ 84,401
June 30, 1999.....	164,760	87,161	56,427	26,369	221,187	113,530
PROPERTY NET OPERATING INCOME AND CONTRIBUTION						

TO FFO(1):						
June 30, 1998.....	79,849	43,793	36,650	18,356	116,499	62,149
June 30, 1999.....	121,049	64,566	39,720	18,080	160,769	82,646

INVESTMENT IN PROPERTIES	INDUSTRIAL PROPERTIES	RETAIL PROPERTIES	TOTAL PROPERTIES
As of:			
December 31, 1998(2)....	$2,574,940	$794,120	$3,369,060
June 30, 1999(3).....	2,926,321	45,729	2,972,050

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(1) Property net operating income (NOI) and contribution to FFO are defined as rental revenue, including reimbursements and straight-line rents, less property level operating expenses, including allocated asset management costs and excluding depreciation, amortization and interest expense.

(2) Excludes net properties held for divestiture of $21,434, $93,616 and $115,050 for Industrial, Retail and Total Properties, respectively.

(3) Excludes net properties held for divestiture of $38,326, $637,566 and $675,892 for Industrial, Retail and Total Properties, respectively.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 1999
(UNAUDITED, DOLLARS IN THOUSANDS,
EXCEPT PROPERTY STATISTICS, SHARE, PER SHARE AND UNIT AMOUNTS)

The Company uses property net operating income and FFO as operating performance measures. The following two tables are reconciliations between total reportable segment revenue, property net operating income and FFO contribution to consolidated revenues, net income and FFO.

	FOR THE SIX MONTHS ENDED JUNE 30,		FOR THE THREE MONTHS ENDED JUNE 30,	
	1998	1999	1998	1999
REVENUES				
Total rental revenues for reportable segments.....	$159,003	$221,187	$ 84,401	$113,530
Investment management and other income.....	1,796	3,762	613	1,847
Total consolidated revenues.....	$160,799	$224,949	$ 85,014	$115,377
NET INCOME				
Property net operating income and contribution to FFO for reportable segments.....	$116,499	$160,769	$ 62,149	$ 82,646
Equity in earnings of unconsolidated joint venture.....	--	2,328	--	1,177
Investment management and other income.....	1,796	1,434	613	670
Less:				
General and administrative.....	(5,862)	(8,350)	(3,144)	(4,278)
Interest expense.....	(27,561)	(46,558)	(15,720)	(23,591)
Depreciation and amortization.....	(25,302)	(33,602)	(13,516)	(15,178)
Minority interests.....	(3,686)	(14,706)	(2,404)	(8,145)
Net income before gain from divestiture of real estate.....	$ 55,884	$ 61,315	$ 27,978	$ 33,301
Gain from divestiture of real estate.....	--	11,525	--	11,525
Extraordinary items.....	--	(1,509)	--	(1,509)
Net income.....	$ 55,884	$ 71,331	$ 27,978	$ 43,317
FFO(1)				
Net income.....	$ 55,884	$ 71,331	$ 27,978	$ 43,317
Minority interests' share of net income.....	3,686	14,706	2,404	8,145
Gain from divestiture of real estate.....	--	(11,525)	--	(11,525)
Extraordinary items.....	--	1,509	--	1,509
Real estate depreciation and amortization:				
Total depreciation and amortization.....	25,302	33,602	13,516	15,178
Furniture, fixtures, and equipment depreciation.....	(215)	(364)	(111)	(250)
FFO attributable to minority interests(2):				
Institutional Alliance Partners.....	(1,129)	(2,635)	(1,003)	(1,161)
Other joint venture partners.....	(959)	(1,109)	(510)	(558)
Adjustment to derive FFO in unconsolidated joint venture(3):				
Company's share of net income.....	--	(2,328)	--	(1,177)
Company's share of FFO.....	--	3,316	--	1,671

Series A preferred stock dividends	--	(4,250)	--	(2,125)
Series B, C & D preferred unit distributions	--	(8,475)	--	(4,667)
FFO	$ 82,569	$ 93,778	$ 42,274	$ 48,357

</TABLE>

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

(2) Represents FFO attributable to minority interests in consolidated joint ventures for the periods presented, which has been computed as minority interests' share of net income before disposal of properties plus minority interests' share of real estate-related depreciation and amortization of the consolidated joint ventures for such periods. Such minority interests are not exchangeable into shares of Common Stock.

(3) Represents the Company's pro rata share of FFO in unconsolidated joint ventures for the periods presented, which has been computed as the Company's share of net income plus the Company's share of real estate-related depreciation and amortization of the unconsolidated joint venture for such periods.

11. COMMITMENTS AND CONTINGENCIES

Litigation

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

Environmental Matters

The Company follows the policy of monitoring 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. 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 comprehensive liability, fire, flood, environmental, extended coverage and rental loss insurance with policy specifications, limits and deductibles which the Company believes are adequate and appropriate under the circumstances given the relative risk of loss, the cost of such coverage and industry practice. There are, however, certain types of extraordinary losses that may be either uninsurable, or not economically insurable. Certain of the Properties are located in areas that are subject to earthquake activity; the Company has therefore obtained limited earthquake insurance. Should an uninsured loss occur, the Company could lose its investment in, and anticipated profits and cash flows, from a Property.

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

You should read the following discussion and analysis of the consolidated financial condition and results of operations in conjunction with the Notes to Consolidated Financial Statements. Statements contained in this discussion which are not historical facts may be forward looking statements. 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 be achieved or occur. Forward-looking statements are necessarily dependent on assumptions, data or methods that may be incorrect or imprecise and we may not be able to realize them. The following factors, among others, could cause actual results and future events to differ materially from those set forth or contemplated in the forward-looking statements: defaults or non-renewal of leases by tenants, increased interest rates and operating costs, 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 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, as amended, environmental uncertainties, risks related to natural disasters, financial market fluctuations, changes in real estate and zoning laws and increases in real property tax rates. Our success also depends upon economic trends generally, including interest rates, income tax laws, governmental regulation, legislation, population changes and those risk factors discussed in Item 5 of this report. We caution you not to place undue reliance on forward-looking statements, which reflect our analysis only and speak only as of the date of this report or the dates indicated in the statements.

Unless we indicate otherwise or unless the context requires otherwise, all references in this report to "AMB" and the "Company" mean AMB Property Corporation and all references to the "operating partnership" mean AMB Property, L.P. Unless we indicate otherwise or unless the context requires otherwise, all references in this report to "we," "us," or "our" mean AMB and its subsidiaries, including the operating partnership and its subsidiaries.

THE COMPANY

As of June 30, 1999, we owned and operated industrial buildings and retail centers totaling 67.6 million square feet located in 26 markets nationwide. As of June 30, 1999, we owned 677 industrial buildings, principally warehouse distribution buildings, aggregating 61.9 million rentable square feet, which were 95.8% leased, and 29 retail centers, principally grocer-anchored community shopping centers, aggregating 5.7 million rentable square feet, which were 94.2% leased. In addition, as of the same date we had an interest in an unconsolidated joint venture that owns 36 industrial buildings aggregating 4.0 million square feet and we operated properties aggregating 3.8 million, 0.4 million, and 0.1 million square feet of industrial, retail, and other properties, respectively, on behalf of investment management clients.

On March 9, 1999, we signed three separate definitive agreements with BPP Retail, LLC, a co-investment entity between Burnham Pacific and the California Public Employees' Retirement System, pursuant to which, if fully consummated, BPP Retail would have acquired up to 28 of our retail shopping centers, totaling approximately 5.1 million square feet, for an aggregate price of $663.4 million. The sale of five of the properties is subject to the consent of our joint venture partners. One of our joint venture partners who holds an interest in three of the properties has indicated that it will not consent to the sale of these properties at this time. We have received consents from our joint venture partners for the sale of the other two properties. As a result, the price with respect to the 25 remaining properties, totaling approximately 4.3 million square

feet, is approximately $560.4 million. We intend to dispose of these three properties or our interests in the joint ventures through which we hold the properties.

Pursuant to the agreements, BPP Retail will acquire the 25 centers in separate transactions. Under the agreements, we have the right to extend the closing dates for a period of up to either 20 or 50 days. We have exercised this right with respect to the first and second transactions, which closed on June 15, 1999 and August 4, 1999, respectively. Pursuant to the closings of the first and second transactions, BPP Retail acquired 21 retail shopping centers, totaling approximately 3.5 million square feet, for an aggregate price of approximately $453.2 million. We used the proceeds from the first and second transactions to repay secured debt related to the properties divested of approximately $55.5 million, to pay approximately $210.0 million in partial repayment of amounts outstanding under our unsecured credit facility, to pay transaction expenses, for potential acquisitions and for general corporate purposes. We currently expect the third transaction to close on or about December 1, 1999.

In addition, we entered into a definitive agreement, subject to a financing

condition, with Burnham Pacific, pursuant to which, if fully consummated, Burnham Pacific would have acquired up to six additional retail centers, totaling approximately 1.5 million square feet, for approximately $284.4 million. On June 30, 1999, this agreement was terminated pursuant to its terms as a result of Burnham Pacific's decision not to waive the financing condition. We currently intend to dispose of the six retail properties, either on an individual or portfolio basis, or our interests in the joint ventures through which we hold the properties.

We intend to use the proceeds of approximately $107.2 million from the divestiture of the remaining four retail centers to BPP Retail in the third transaction to pay approximately $26.5 million in partial repayment of amounts outstanding under our unsecured credit facility, to pay transaction expenses, for potential acquisitions and for general corporate purposes.

In connection with the BPP Retail transactions, AMB has granted the California Public Employee's Retirement System an option to purchase up to 2,000,000 shares of AMB's common stock for an exercise price of $25.00 per share that the California Public Employees' Retirement system may exercise on or before March 31, 2000. AMB had registered the 2,000,000 shares of common stock issuable upon exercise of the option.

Although the remaining transaction with BPP Retail has a discretionary due diligence period, it is subject to certain customary closing conditions, which are generally applied on a property-by-property basis. Burnham Pacific has announced that it has received and is reviewing a merger proposal. We do not believe that the remaining contractual obligations of BPP Retail with respect to the purchase of the retail centers will be affected by any resulting merger. BPP Retail has posted a deposit of $8.4 million on the remaining transaction. BPP Retail's liability in the event of its default under a definitive agreement is limited to its deposit. Although we believe that the remaining transaction with BPP Retail is probable, the transaction might not close as scheduled or close at all, and it is possible that the transaction may close with respect to just a portion of the properties currently subject to the agreement.

ACQUISITION AND DEVELOPMENT ACTIVITY

During the second quarter, we acquired $200.8 million in operating properties, consisting of 62 industrial buildings, aggregating 3.1 million square feet. We also completed two development projects, aggregating approximately 0.2 million square feet, during the quarter, with an aggregate total cost of $7.8 million. As of June 30, 1999, we had 14 industrial projects, aggregating approximately 3.7 million square feet, in our development pipeline, with an aggregate total estimated cost of $180.3 million upon completion, and two retail projects, aggregating approximately 0.3 million square feet, in our development pipeline, with an aggregate estimated cost of $46.1 million upon completion.

STRATEGIC ALLIANCE PROGRAMS

We believe that our strategy of forming strategic alliances with local and regional real estate experts improves our operating efficiency and flexibility, strengthens our customer satisfaction and retention and provides us with attractive growth opportunities. Additionally, our strategic alliances with institutional investors enhance our access to private capital and our ability to finance transactions.

Our six Strategic Alliance Programs can be grouped into two categories:

- Operating Alliances, which allow us to form relationships with local or regional real estate experts, thereby becoming their ally rather than their competitor; and

- Investment Alliances, which allow us to establish relationships with a variety of capital sources.

OPERATING ALLIANCES

MANAGEMENT ALLIANCE PROGRAM: Our strategy for the Management Alliance Program is to develop close relationships with, and outsource property management to, local property managers that we believe to be among the best in their respective markets. Our alliances with local property managers increase our flexibility, reduce our overhead expenses and improve our customer service. In addition, these alliances provide us with local market information related to tenant activity and acquisition opportunities. During the quarter ended June 30, 1999, we acquired four industrial buildings, aggregating 0.4 million square feet, sourced through our Management Alliance Program.

DEVELOPMENT ALLIANCE PROGRAM: Our strategy for our Development Alliance Program is to form alliances with development firms with a strong local presence and expertise. As of June 30, 1999, over 80% of our development projects were being developed by our Development Alliance Partners.

CUSTOMER ALLIANCE PROGRAM: Through our Customer Alliance Program, we seek to build long-term working relationships with major tenants. We are committed to working with our tenants, particularly our larger tenants with multi-site requirements, to make their property searches as efficient as possible.

BROKER ALLIANCE PROGRAM: Through our Broker Alliance Program, we work closely with top local leasing companies in each of our markets, which brokers provide us with access to high quality tenants and local market knowledge.

INVESTMENT ALLIANCES

UPREIT ALLIANCE PROGRAM: Through our UPREIT Alliance Program, we issue limited partnership units in the operating partnership to certain property owners in exchange for properties, thus providing additional growth for our portfolio. During the quarter ended June 30, 1999, we acquired 51 industrial buildings, aggregating 1.7 million square feet, sourced through our UPREIT Alliance Program.

INSTITUTIONAL ALLIANCE PROGRAM: Our strategy for our Institutional Alliance Program is to form alliances with institutional investors. Our alliances with institutional investors provide us with access to private capital, including during those times when the public markets are less attractive, as well as providing us with a source of incremental fee income and investment returns.

RESULTS OF OPERATIONS

The analysis below shows changes in our results of operations for the six and three months ended June 30, 1999 and 1998 which includes changes attributable to acquisitions and development activity, 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 95.0% leased) for both the current and prior periods (the "same store properties"). For the comparison between the six and three month periods ended June 30, 1999 and 1998, the same store properties consist of properties aggregating 40.4 million square feet. Our future financial condition and results of operations, including rental revenues, may be impacted by

the acquisition of additional properties. Our future revenues and expenses may vary materially from their historical rates.

SIX AND THREE MONTHS ENDED JUNE 30, 1999 AND 1998

Rental revenues. Rental revenues, including straight-line rents, tenant reimbursements and other property related income, increased by $62.2 and $29.1 million, or 39% and 35%, for the six and three months ended June 30, 1999, to $221.2 and $113.5 million, respectively, as compared with the same periods in 1998. Approximately $4.8 and $2.8 million, or 8% and 10% of this increase, was attributable to same store properties, with the remaining $58.2 and $26.3 million attributable to properties acquired between January 1, 1998 and June 30, 1999. The growth in rental revenues in same store properties resulted primarily from the incremental effect of cash rental rate increases and changes in occupancy and reimbursement of expenses, offset by a decrease in straight-line rents. During the quarter ended June 30, 1999, the same store properties increase in base rents (cash basis) was 16.6% on 1.0 million square feet leased.

Other revenues. Other revenues, including equity in earnings of unconsolidated joint venture, investment management income, and interest income, totaled $3.8 and $1.8 million for the six and three months ended June 30, 1999, respectively, as compared to $1.8 and $0.6 million for the six and three months ended June 30, 1998, respectively. The $2.0 and $1.2 million increase in other revenues between the six and three months ended June 30, 1999 and June 30, 1998, respectively, was primarily attributable to the earnings from our equity investment in our unconsolidated joint venture which was purchased in June 1998.

Property operating expenses and real estate taxes. Property operating expenses, including asset management costs and real estate taxes, increased by $17.9 and $8.6 million, or 42% and 39%, for the six and three months ended June 30, 1999, to $60.4 and $30.9 million, respectively, as compared with the same periods in 1998. Same store properties operating expenses increased by approximately $1.1 and $0.4 million for the six and three months ended June 30, 1999, respectively, while operating expenses attributable to properties acquired between January 1, 1998 through June 30, 1999 added $16.8 and $8.2 million. The change in same store properties operating expenses primarily relates to increases in same store properties real estate taxes of approximately $1.1 and $0.3 million for the six and three months ended June 30, 1999, respectively.

General and administrative expenses. General and administrative expenses were $8.4 and $4.3 million for the six and three months ended June 30, 1999, respectively. The $2.5 and $1.1 million, or 42% and 36%, increases from the six and three months ended June 30, 1998 to June 30, 1999 are primarily attributable to additional staffing that resulted from the growth in our portfolio. The remainder of the increase is due to the change in our accounting policy for capitalizing internal acquisition costs. Effective during the second quarter of

1998, we changed our policy to expense all internal costs.

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 cash flow from operations, borrowings under our unsecured credit facility, other forms of secured or unsecured financing, proceeds from equity or debt offerings by AMB or the operating partnership (including issuances of limited partnership units in the operating partnership) and net proceeds from divestitures of properties. We presently believe that our sources of working capital and our ability to access private and public debt and equity capital are adequate for us to continue to meet our liquidity requirements for the foreseeable future.

CAPITAL RESOURCES

Property divestitures. On March 9, 1999, we signed three separate definitive agreements with BPP Retail, LLC pursuant to which, if fully consummated, BPP Retail would have acquired up to 28 of our retail shopping centers, totaling approximately 5.1 million square feet, for an aggregate price of $663.4 million. The sale of five of the properties is subject to the consent of our joint venture partners. One of our joint venture partners who holds an interest in three of the properties has indicated that it will not consent to the sale of

these properties at this time. We have received consents from our joint venture partners for the sale of the other two properties. As a result, the sale price with respect to the 25 remaining properties, totaling approximately 4.3 million square feet, is approximately $560.4 million. We intend to dispose of these three properties or our interests in the joint ventures through which we hold the properties.

Pursuant to the agreements, BPP Retail will acquire the 25 centers in separate transactions. Under the agreements, we have the right to extend the closing dates for a period of up to either 20 or 50 days. We have exercised this right with respect to the first and second transactions, which closed on June 15, 1999 and August 4, 1999, respectively. Pursuant to the closings of the first and second transactions, BPP Retail acquired 21 retail shopping centers, totaling approximately 3.5 million square feet, for an aggregate price of approximately $453.2 million. We used the proceeds from the first and second transactions to repay secured debt related to the properties divested of approximately $55.5 million, to pay approximately $210.0 million in partial repayment of amounts outstanding under our unsecured credit facility, to pay transaction expenses, for potential acquisitions and for general corporate purposes. We currently expect the third transactions to close on or about December 1, 1999.

In addition, we entered into a definitive agreement, subject to a financing condition, with Burnham Pacific, pursuant to which, if fully consummated, Burnham Pacific would have acquired up to six additional retail centers, totaling approximately 1.5 million square feet, for approximately $284.4 million. On June 30, 1999, this agreement was terminated pursuant to its terms as a result of Burnham Pacific's decision not to waive the financing condition. We currently intend to dispose of the six retail properties, either on an individual or portfolio basis, or our interests in the joint ventures through which we hold the properties.

As of June 30, 1999, the net carrying value of the properties held for divestiture was $675.9 million. Certain of the properties included in these transactions are subject to indebtedness totaling $150.5 million as of June 30, 1999. We intend to use the proceeds of $519.7 million from these transactions to pay expenses incurred in connection with the divestitures, to repay the secured debt related to the properties divested, to partially pay down our unsecured credit facility, for potential acquisitions and for general corporate purposes.

On June 10, 1999, we divested one industrial building located in Bolingbrook, Illinois, aggregating 0.3 million square feet. The building was disposed of at a gross price of $10.5 million. We used the net proceeds of $10.2 million to partially fund a property acquisition and for general corporate purposes.

Credit facility. We have a $500 million unsecured revolving credit agreement with Morgan Guaranty Trust Company of New York, as agent, and a syndicate of twelve other banks. The credit facility has a term of three years and is subject to a fee that accrues on the daily average undrawn funds, which varies between 15 and 25 basis points (currently 15 basis points) of the undrawn funds based on our credit rating. We use the credit facility principally for acquisitions and for general working capital requirements. Borrowings under the credit facility bear interest at LIBOR plus 90 to 120 basis points (currently LIBOR plus 90 basis points), depending our debt rating at the time of the borrowings. As of June 30, 1999, the outstanding balance on the credit facility was $255.0 million, with a weighted average interest rate of 6.6% (based on

30-day LIBOR of 5.2%). Monthly debt service payments on the credit facility are interest only. The credit facility matures in November 2000. The total amount available under the credit facility fluctuates based upon the borrowing base, as defined in the agreement governing the credit facility. At June 30, 1999, the remaining amount available under the credit facility was approximately $245.0 million.

Debt and equity financing. On May 5, 1999, AMB Property II, L.P. issued and sold 1,595,337 7.75% Series D 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 original issuance and are payable quarterly in arrears at a rate per unit equal to $3.875 per annum. The Series D Preferred Units are redeemable by AMB Property II, L.P. on or after May 5, 2004, 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 D Preferred Units are exchangeable, at specified times and subject to certain conditions, on a one-for-one basis, for shares of AMB's Series D Preferred Stock. AMB Property II, L.P. used the net proceeds of approximately $77.8 million to make a loan to the operating partnership in the amount of approximately $20.1 million and to purchase an unconsolidated joint venture interest for a price of approximately

$57.7 million from the operating partnership. The loan bears interest at a rate of 7.0% per annum and is payable upon demand. The operating partnership used the funds to repay borrowings under the credit facility and for general corporate purposes.

Market capitalization. As of June 30, 1999, the aggregate principal amount of this secured debt was $750.6 million, excluding unamortized debt premiums of $13.0 million. The secured debt bears interest at rates varying from 4.0% to 10.0% per annum (with a weighted average of 7.8%) and final maturity dates ranging from May 2000 to April 2014. We believe the carrying value of the debt approximates its fair value on June 30, 1999.

As of June 30, 1999, our total outstanding debt was approximately $1.4 billion, including unamortized debt premiums of approximately $13.0 million. See Note 5 to our Consolidated Financial Statements. The total amount of debt that we must repay during the remainder of 1999 is approximately $7.5 million, which represents scheduled principal amortization.

In order to maintain financial flexibility and facilitate the rapid deployment of capital through market cycles, we presently intend to operate with a debt-to-total market capitalization ratio of approximately 45% or less. Additionally, we presently intend to continue to structure our balance sheet in order to maintain an investment grade rating on our senior unsecured debt.

The tables below summarize our debt maturities and capitalization as of June 30, 1999 (in thousands, except share amounts and percentages).

DEBT

<TABLE>
<CAPTION>

	INDUSTRIAL SECURED DEBT	RETAIL SECURED DEBT	UNSECURED SENIOR DEBT SECURITIES	UNSECURED CREDIT FACILITY	TOTAL
<S>	<C>	<C>	<C>	<C>	<C>
1999 (six months)	$ 5,131	$ 2,339	$ --	$ --	$ 7,470
2000	36,161	8,700	--	255,000	299,861
2001	13,399	30,545	--	--	43,944
2002	28,434	34,178	--	--	62,612
2003	57,933	50,857	--	--	108,790
2004	91,625	932	--	--	92,557
2005	68,204	1,008	100,000	--	169,212
2006	134,045	11,829	--	--	145,874
2007	37,777	727	--	--	38,504
2008	119,984	7,758	175,000	--	302,742
Thereafter	7,131	1,926	125,000	--	134,057
Subtotal	599,824	150,799	400,000	255,000	1,405,623
Unamortized premiums	9,588	3,376	--	--	12,964
Total consolidated debt	609,412	154,175	400,000	255,000	1,418,587
Our share of unconsolidated JV debt	19,472	--	--	--	19,472
Total debt	$628,884	$154,175	$400,000	$255,000	$1,438,059
JV partners' share of consolidated JV debt					(49,691)
Our share of total debt					$1,388,368

Weighted average interest rate	7.8%(1)	7.9%	7.2%	6.6%	7.4%
Weighted average maturity (in years)	6.7(1)	4.2	11.4	1.4	6.8

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(1) Does not include unconsolidated joint venture debt, which bears interest at 6.5% per annum and matures in 2007.

MARKET EQUITY

SECURITY	SHARES OUTSTANDING	MARKET PRICE	MARKET VALUE
Common stock	86,518,592	$23.50	$2,033,187
Common limited partnership units	4,578,942	23.50	107,605
Total	91,097,534		$2,140,792

PREFERRED STOCK AND UNITS

SECURITY	DIVIDEND RATE	LIQUIDATION PREFERENCE	REDEMPTION PROVISIONS
Series A preferred stock	8.50%	$100,000	July 2003
Series B preferred units	8.63%	65,000	November 2003
Series C preferred units	8.75%	110,000	November 2003
Series D preferred units	7.75%	79,767	May 2004
Weighted Average/Total	8.43%	$354,767	

CAPITALIZATION RATIOS

Total debt-to-total market capitalization	36.6%
Our share of total debt-to-total market capitalization	35.7%
Total debt plus preferred-to-total market capitalization	45.6%
Our share of total debt plus preferred-to-total market capitalization	44.9%

LIQUIDITY

As of June 30, 1999, we had approximately $40.1 million in cash and cash equivalents and $245.0 million of additional available borrowings under the credit facility. We intend to use cash from operations, borrowings under the credit facility, other forms of secured and unsecured financing, proceeds from any future debt or equity offerings by AMB or the operating partnership (including issuances of limited partnership units in the operating partnership or its subsidiaries), and proceeds from divestitures of properties to fund acquisitions, development activities and capital expenditures and to provide for general working capital requirements.

On June 4, 1999, we declared a quarterly cash distribution of $0.35 per share of common stock and the operating partnership declared a quarterly cash distribution of $0.35 per operating partnership unit, for the quarter ending June 30, 1999, payable on July 15, 1999, to stockholders and unitholders of record as of July 6, 1999. On June 4, 1999, we declared a cash dividend of $0.53125 per share on our Series A Preferred Stock, and the operating partnership declared a cash distribution of $0.53125 per unit on its Series A Preferred Units, for the three month period ending July 14, 1999, payable on July 15, 1999, to stockholders and unitholders of record as of June 30, 1999.

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 and/or equity financings. However, we may not be able to obtain future financings on

favorable terms or at all.

CAPITAL COMMITMENTS

In addition to recurring capital expenditures and costs to renew or re-tenant space, as of June 30, 1999, our development pipeline included 16 projects representing a total estimated investment of $226.4 million upon completion. Of this total, approximately $132.0 million had been funded as of June 30, 1999 and approximately $94.4 million is estimated to be required to complete projects currently under construction or for which we have committed to complete. We presently expect to fund these expenditures with cash from

operations, borrowings under the credit facility, debt or equity issuances and net proceeds from property divestitures. Other than these capital items, we have no material capital commitments.

During the period from April 1, 1999 to June 30, 1999, we invested $200.8 million in 62 industrial buildings, aggregating 3.1 million rentable square feet. We funded these acquisitions and initiated development projects through borrowings under the credit facility, cash, debt assumption, and the issuance of limited partnership units in the operating partnership.

YEAR 2000 COMPLIANCE

Our state of readiness. We utilize a number of computer software programs and operating systems across our entire organization, including applications used in financial business systems and various administrative functions. To the extent that our software applications contain source code that is unable to appropriately interpret the upcoming calendar year 2000 and beyond, some level of modification or replacement of such applications will be necessary.

We are currently conducting a company-wide test of our financial and non-financial systems to ensure that our systems will adequately handle the year 2000 issue. Our financial system is fully year 2000 compliant. We have conducted a survey of our property managers to determine if our non-financial systems (HVAC, security, lighting, and other building systems) at our properties are year 2000 compliant and to determine the state of readiness of our tenants regarding their year 2000 compliance. A majority of our property managers have responded to the survey and, based upon such responses, we believe that the non-financial systems with respect to those properties are year 2000 compliant. In addition, we are currently surveying our other third party vendors to determine if their systems are year 2000 compliant and to determine the state of readiness regarding their year 2000 compliance. The compliance efforts of our third-party vendors, including utility and telecommunication companies, are not within our control and any failure on the part of our third-party vendors to become year 2000 compliant could result in disruptions in our business operations and at our properties.

Costs of addressing our year 2000 issues. Given the information known at this time about our systems, coupled with our ongoing, normal course-of-business efforts to upgrade or replace critical systems, as necessary, we do not expect year 2000 compliance costs to have any material adverse impact on our liquidity or ongoing results of operations. The costs of such assessment will be included in our general and administrative expenses. Although we can make no assurance, we currently do not expect that the year 2000 issue will materially affect our operations due to problems encountered by our suppliers, customers and lenders.

Risks of our year 2000 issues. In light of our assessment and remediation efforts to date, we believe that any residual year 2000 risk is limited to non-critical business applications and support hardware. No assurance can be given, however, that all of our systems will be year 2000 compliant or that compliance will not have a material adverse effect on our future liquidity, results of operations or ability to service debt.

Our contingency plans. We are currently developing our contingency plan for all operations to address the most reasonably likely worst case scenarios regarding year 2000 compliance. We expect such contingency plans to be completed before the end of the year.

FUNDS FROM OPERATIONS

We believe that FFO, as defined by NAREIT, is an appropriate measure of performance for an equity REIT. While FFO is a relevant and widely used measure of operating performance of REITs, it does not represent cash flow from operations or net income as defined by GAAP, and it should not be considered as an alternative to those indicators in evaluating liquidity or operating performance. Further, FFO as disclosed by other REITs may not be comparable.

The following table reflects the calculation of our FFO for six and three months ended June 30, 1998 and 1999 (dollars in thousands).

<TABLE>
<CAPTION>

	FOR THE SIX MONTHS ENDED JUNE 30,		FOR THE THREE MONTHS ENDED JUNE 30,	
	1998	1999	1998	1999
<S>	<C>	<C>	<C>	<C>
Income from operations before minority interests	$ 59,570	$ 76,021	$ 30,382	$ 41,446
Real estate related depreciation and amortization:				
Total depreciation and amortization	25,302	33,602	13,516	15,178
FF&E depreciation and ground lease amortization	(215)	(364)	(111)	(250)
FFO attributable to minority interests(1)(2):				
Institutional Alliance Partners	(1,129)	(2,635)	(1,003)	(1,161)
Other joint venture partners	(959)	(1,109)	(510)	(558)
Adjustments to derive FFO in unconsolidated joint Venture(3):				
Our share of net income	--	(2,328)	--	(1,177)
Our share of FFO	--	3,316	--	1,671
Series A preferred stock dividends	--	(4,250)	--	(2,125)
Series B, C & D preferred unit distributions	--	(8,475)	--	(4,667)
FFO(1)	$ 82,569	$ 93,778	$ 42,274	$ 48,357
FFO per common share and unit:				
Basic	$ 0.93	$ 1.03	$ 0.47	$ 0.53
Diluted	$ 0.92	$ 1.03	$ 0.47	$ 0.53
Weighted average common shares and units:				
Basic	88,983,990	90,655,675	89,539,010	90,861,822
Diluted(4)	89,362,932	90,756,567	89,886,673	91,044,028

</TABLE>

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

(2) Represents FFO attributable to minority interest in consolidated joint ventures for the period presented, which has been computed as minority interests' share of net income plus minority interests' share of real estate-related depreciation and amortization of the consolidated joint ventures for such period. These minority interests are not convertible into shares of common stock.

(3) Represents our pro rata share of FFO in unconsolidated joint ventures for the period presented, which has been computed as our share of net income plus our share of real estate-related depreciation and amortization of the unconsolidated joint venture for such period.

(4) Includes the dilutive effect of stock options.

OPERATING AND LEASING STATISTICS SUMMARY

The following summarizes key operating and leasing statistics for all of our industrial properties and retail properties as of and for the period ended June 30, 1999.

<TABLE>
<CAPTION>

	INDUSTRIAL	RETAIL	TOTAL
<S>	<C>	<C>	<C>
Square feet owned(1)	61,901,637	5,652,580	67,554,217
Occupancy percentage	95.8%	94.2%	95.6%
Lease expirations as percentage of total square feet (next 12 months)	15.5%	8.4%	14.9%
Weighted average lease term	7 years	15 years	7 years
Tenant retention:			
Quarter	58.3%	88.4%	59.6%

Trailing average (1/01/96 to 6/30/99).....	72.4%	85.7%	73.1%
Rent increases on renewals and rollovers:			
Quarter.....	14.1%	6.5%	13.1%
Trailing 12 months.....	10.1%	7.4%	9.8%
Same store cash basis NOI growth(2):			
Quarter.....	5.1%	6.8%	5.5%
Year-to-date.....	5.9%	4.8%	5.4%
Second generation tenant improvements and leasing commissions per sq. ft.:(3)			
Quarter:			
Renewals.....	$ 0.83	$ 0.84	$ 0.83
Re-tenanted.....	2.57	1.27	2.57
Weighted average.....	$ 1.82	$ 0.94	$ 1.81
Year-to-date:			
Renewals.....	$ 1.43	$ 1.43	$ 1.43
Re-tenanted.....	2.52	4.36	2.54
Weighted average.....	$ 1.67	$ 1.58	$ 1.67
Trailing average (1/01/96 to 6/30/99).....	$ 1.32	$ 4.13	$ 1.46

</TABLE>

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(1) In addition to owned square feet as of June 30, 1999, AMB Investment Management managed 3.8 million, 0.4 million, and 0.1 million additional square feet of industrial, retail, and other properties, respectively. We also have an investment in 4.0 million square feet of industrial properties through our investment in an unconsolidated joint venture.

(2) Consists of industrial buildings and retail centers aggregating 36.0 million and 4.4 million square feet, respectively, that have been owned by us prior to January 1, 1998, and excludes development properties prior to stabilization.

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

The following summarizes key same store properties' operating statistics for our industrial properties and retail properties as of and for the period ending June 30, 1999.

<TABLE>
<CAPTION>

	INDUSTRIAL	RETAIL	TOTAL
<S>	<C>	<C>	<C>
Square feet in same store pool(1).....	36,025,231	4,411,219	40,436,450
Occupancy percentage:			
6/30/98.....	95.6%	97.4%	95.8%
6/30/99.....	96.9%	96.4%	96.8%
Tenant retention:			
Quarter.....	67.2%	88.5%	68.5%
Trailing 12 months.....	66.2%	76.8%	66.7%
Rent increases on renewals and rollovers:			
Quarter.....	18.9%	6.5%	16.6%
Trailing 12 months.....	9.2%	7.4%	8.9%
Cash basis NOI growth % increase:			
Quarter:			
Revenues.....	4.6%	4.8%	4.7%
Expenses.....	3.0%	0.5%	2.2%
NOI.....	5.1%	6.8%	5.5%
Year-to-date:			
Revenues.....	5.4%	4.1%	5.0%
Expenses.....	3.8%	2.3%	3.4%
NOI.....	5.9%	4.8%	5.4%

</TABLE>

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(1) Same store properties include all properties that were owned during both the current and prior year reporting periods and excludes development properties prior to being stabilized for both the current and prior reporting period.

ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISKS

Our exposure to market risk includes the rising interest rates in connection with our unsecured credit facility and other variable rate borrowings, and our ability to incur more debt without stockholder approval, thereby increasing our debt service obligations, which could adversely affect our cash flows. See "Item 2: Management's Discussion and Analysis of Financial Condition and Results of Operations -- Liquidity and Capital

Resources -- Capital Resources -- Market Capitalization."

PART II

ITEM 1. LEGAL PROCEEDINGS

As of June 30, 1999, 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 April 30, 1999, the operating partnership issued an aggregate of 390,633 limited partnership units with an aggregate value of approximately $9.4 million to two corporations and twelve individuals in partial consideration for the acquisition of properties. On May 21, 1999, the operating partnership issued 18,638 limited partnership units with a value of approximately $0.5 million to a limited liability company in partial consideration for the acquisition of properties. On May 26, 1999, the operating partnership issued 212,766 limited partnership units with a value of approximately $5.0 million to a limited liability company in partial consideration for the acquisition of properties. Holders of the limited partnership units may redeem part or all of their limited partnership units for cash, or at the election of AMB, exchange their limited partnership units for shares of AMB's common stock on a one-for-one basis.

The issuance of limited partnership units in connection with the acquisitions discussed above constituted private placements of securities which were exempt from the registration requirement of the Securities Act pursuant to Section 4(2) of the Securities Act and Rule 506 of Regulation D.

On May 5, 1999, AMB Property II, L.P. issued and sold 1,595,337 7.75% Series D Cumulative Redeemable Preferred Limited Partnership Units at a price of $50.00 per unit, for a gross price of $79.8 million, to a limited liability company. The issuance and sale of the Series D Preferred Units constituted a private placement of securities which was exempt from the registration requirement of the Securities Act pursuant to Section 4(2) of the Securities Act and Rule 506 of Regulation D. The Series D Preferred Units are exchangeable, at specified times and subject to certain conditions, on a one-for-one basis, for shares of AMB's Series D Preferred Stock. The Articles Supplementary establishing the rights and preferences of the holders of the Series D Preferred Stock were filed as Exhibit 3.1 to our Quarterly Report on Form 10-Q for the quarter ended March 31, 1999.

ITEM 3. DEFAULTS UPON SENIOR SECURITIES

None.

ITEM 4. SUBMISSION OF MATTERS TO A VOTE OF SECURITY HOLDERS

The Company held its Annual Meeting of Stockholders on May 7, 1999. The stockholders voted to (1) elect nine directors to the Company's Board of Directors to serve until the next annual meeting of stockholders and until their successors are duly elected and qualified and (2) ratify and approve an amendment to the Company's First Amended and Restated 1997 Stock Option and Incentive Plan, increasing the number of shares authorized for issuance thereunder by 3,200,000 shares.

The stockholders' votes with respect to the election of directors were as follows:

<TABLE>
<CAPTION>

	VOTES			
	FOR	AGAINST OR WITHHELD	VOTES ABSTAINED	BROKER NON-VOTES
<S>	<C>	<C>	<C>	<C>
Douglas D. Abbey	61,574,242	125,676	--	--
Hamid R. Moghadam	61,574,242	125,676	--	--
T. Robert Burke	61,574,242	125,676	--	--
Daniel H. Case III	61,574,242	125,676	--	--
Robert H. Edelstein, Ph.D.	61,574,242	125,676	--	--
Lynn M. Sedway	61,574,242	125,676	--	--
Jeffrey L. Skelton, Ph.D.	61,574,242	125,676	--	--
Thomas W. Tusher	61,574,242	125,676	--	--
Caryl B. Welborn, Esq.	61,574,242	125,676	--	--

</TABLE>

The stockholders' votes with respect to the ratification and approval of the increase in number of shares authorized for issuance under the Company's 1997 Stock Option and Incentive Plan were as follows:

<TABLE>
<CAPTION>

VOTES			
FOR	AGAINST OR WITHHELD	VOTES ABSTAINED	BROKER NON-VOTES
<S>	<C>	<C>	<C>
52,936,753	8,621,421	141,744	--

</TABLE>

ITEM 5. OTHER INFORMATION

BUSINESS RISKS

Our operations involve various risks that could have adverse consequences to us. Such 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, AMB's ability to pay distributions to holders of its common stock 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 or retail space or a reduction in demand for industrial or retail space, the attractiveness of our properties to potential tenants, competition from other properties, our ability to provide adequate maintenance and insurance and an increase in operating costs. 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 tenants were unable to pay rent or if we were unable to rent our industrial or retail space on favorable terms. Certain significant expenditures associated with an investment in real estate (such as mortgage payments, real estate taxes and maintenance costs) generally do not decline when circumstances cause a reduction in income from the property.

WE MAY BE UNABLE TO RENEW LEASES OR RELET SPACE AS LEASES EXPIRE

We are subject to the risks that leases may not be renewed, space may not be relet, or the terms of renewal or releting (including the cost of required renovations) may be less favorable than current lease terms. Leases on a total of approximately 24.7% of the leased square footage of our properties as of June 30, 1999 will expire on or prior to December 31, 2000, with leases on 7.3% of the leased square footage of our

properties as of June 30, 1999 expiring during the six months ending December 31, 1999. In addition, numerous properties compete with our properties in attracting tenants 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 AMB's ability to pay distributions on, and the market price of, its common 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 releting 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 distributions to AMB's stockholders. The relative illiquidity of our holdings, 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 and cash flow and AMB's ability to pay distributions on, and the market price of, its common stock.

A SIGNIFICANT NUMBER OF OUR PROPERTIES ARE LOCATED IN CALIFORNIA

Our properties located in California as of June 30, 1999 represented approximately 21.5% of the aggregate square footage of our properties as of June 30, 1999 and approximately 28.6% of our annualized base rent. Annualized base rent means the monthly contractual amount under existing leases at June 30, 1999, 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 commercial properties) and the local economic climate. Business layoffs, downsizing, industry slowdowns, changing demographics and other factors may adversely impact the local economic climate. A downturn in either the California economy or in California real estate conditions could adversely affect our financial condition, results of operations and cash flow and AMB's ability to pay distributions on, and the market price of, its common stock. Certain of our properties are also subject to possible loss from seismic activity. On June 15, 1999 and August 4, 1999, we sold an aggregate of seven of our properties located in California to BPP Retail. In the event that the remaining transaction with BPP Retail, LLC is fully consummated, we will dispose of all but three of our retail centers located in California and, thereafter (based on property statistics as of June 30, 1999), 22.1% of our properties based on aggregate square footage and 29.3% of our properties based on annualized base rent will be located in California.

OUR PROPERTIES ARE CURRENTLY CONCENTRATED IN THE INDUSTRIAL AND RETAIL SECTORS

Our properties are currently concentrated predominantly in the industrial and retail commercial real estate sectors. However, in the event that the transactions with BPP Retail are fully consummated, our properties will be concentrated predominately in the industrial real estate sector. Our concentration in certain property types may expose us to the risk of economic downturns in these sectors to a greater extent than if our portfolio also included other property types. In the event that the transactions referred to above are consummated, our exposure to the risk of economic downturns in the industrial real estate sector will be greater. As a result of such concentration, economic downturns in these sectors could have an adverse effect on our financial condition, results of operations and cash flow and AMB's ability to pay distributions on, and the market price of, its common stock.

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 which 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. Certain losses such as losses due to floods or seismic activity may be insured subject to certain limitations including large deductibles or co-payments and policy limits. If an uninsured loss or a loss in excess of insured limits occurs with respect to one or more of our properties, 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, AMB will generally be liable for all of the operating partnership's unsatisfied obligations other than non-recourse obligations. Any such liability could adversely affect our financial condition, results of operations and cash flow and AMB's ability to pay distributions on, and the market price of, its common 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, 1999, 181 industrial buildings aggregating 13.3 million rentable square feet (representing 21.9% of our properties based on aggregate square footage and 28.1% based on annualized base rent) and six retail centers aggregating 1.3 million rentable square feet (representing 22.2% of our properties based on aggregate square footage and 30.7% based on annualized base rent) are located. In the event that the remaining transaction with BPP Retail is fully consummated, we will dispose of all but three of our retail centers located in California and, thereafter (based on property statistics as of June 30, 1999), 22.1% of our properties based on aggregate square footage and 29.3% of our properties based on annualized base rent will be located in California. 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 which we believe are commercially reasonable. This insurance coverage also applies to the properties managed by AMB Investment Management, Inc., with a single aggregate policy limit and deductible applicable to those properties and our properties. The operating partnership owns 100% of the non-voting preferred stock of AMB Investment Management, Inc. See "-- AMB Investment Management, Inc. and Headlands Realty Corporation." Through an annual analysis prepared by outside consultants, we evaluate our earthquake insurance

coverage in light of current industry practice and determine the appropriate amount of earthquake insurance to carry. We may incur material losses in excess of insurance proceeds and we may not be able to continue to obtain insurance at commercially reasonable rates.

WE ARE SUBJECT TO RISKS AND LIABILITIES IN CONNECTION WITH PROPERTIES OWNED THROUGH JOINT VENTURES, LIMITED LIABILITY COMPANIES AND PARTNERSHIPS

As of June 30, 1999, we had ownership interests in 18 joint ventures, limited liability companies or partnerships with third parties, as well as an interest in one unconsolidated entity. As of June 30, 1999, we owned 21 of our properties through these entities. We may make additional investments through these ventures in the future and presently plan to do so with clients of AMB Investment Management, Inc. and certain Development Alliance Partners, who share certain approval rights over major decisions. Partnership, limited liability company or joint venture investments may involve risks such as the following:

- 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);

- our partners, co-members or joint venturers might at any time have economic or other business interests or goals which are inconsistent with our business interests or goals;

- 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 policy with respect to maintaining AMB's qualification as a real estate investment trust; and

- 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 have an adverse effect on our financial condition, results of operations and cash flow and AMB's ability to pay distributions on, and the market price of, its common stock.

WE MAY BE UNABLE TO CONSUMMATE ACQUISITIONS ON ADVANTAGEOUS TERMS

We intend to continue to acquire industrial and, to a lesser extent, certain value-added retail properties. Acquisitions of industrial and retail 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 new 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 credit facility, proceeds from equity or debt offerings by AMB or the operating partnership (including issuances of limited partnership units), and proceeds from the transactions with BPP Retail, 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 the transactions with BPP Retail could adversely affect our financial condition, results of operations and cash flow and AMB's ability to pay distributions on, and the market price of, its common 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:

- 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;

- 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;

- new or renovated properties may perform below anticipated levels, producing cash flow below budgeted amounts;

- 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 which could divert management's time from our day-to-day operations; and

- 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 have an adverse effect on our financial condition, results of operations and cash flow and AMB's ability to pay distributions on, and the market price of, its common 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 AMB's 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 AMB's common stock or

other outstanding classes of capital stock, and future issuance of shares of AMB's capital stock. In spite of this policy, our organizational documents do not contain any limitation on the amount of indebtedness that we may incur. Accordingly, AMB's board of directors could alter or eliminate this policy and would do so, for example, if it were necessary for AMB to continue to qualify as a real estate investment trust. If we change this policy, we could become more highly leveraged, resulting in an increase in debt service that could adversely affect our financial condition, results of operations and cash flow and AMB's ability to pay distributions on, and the market price of, its common 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 make distributions to AMB's 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, 1999, we had total debt outstanding of approximately $1.4 billion including:

- approximately $783.1 million of secured indebtedness (not including unamortized debt premiums) with an average maturity of seven years and a weighted average interest rate of 7.8%;

- approximately $255.0 million outstanding under our unsecured $500 million credit facility with a maturity date of November 2000 and a weighted average interest rate of 6.6%; and

- $400.0 million aggregate principal amount of unsecured senior debt securities with maturities in June 2008, 2015 and 2018 and a weighted average interest rate of 7.18%.

With the proceeds from the first and second transactions with BPP Retail, we repaid approximately $55.5 million of secured indebtedness relating to the properties divested and made payments under our unsecured credit facility in the amount of approximately $210.0 million. We currently intend to use the proceeds from the third transaction with BPP Retail to repay approximately $26.5 million of amounts outstanding under our secured credit facility.

AMB is a guarantor of the operating partnership's obligations with respect to the senior debt securities referenced above. If we are unable to refinance or extend principal payments due at maturity or pay them with proceeds of other capital transactions, we expect that our cash flow will not be sufficient in all years to pay distributions to AMB's 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, the interest expense relating to that refinanced indebtedness would increase. This increased interest expense would adversely affect our financial condition, results of operations and cash flow and AMB's ability to pay distributions on, and the market price

of, its common 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, 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 and cash flow and AMB's ability to pay distributions on, and the market price of, its common stock.

RISING INTEREST RATES COULD ADVERSELY AFFECT OUR CASH FLOW

As of June 30, 1999, we had $255.0 million outstanding under our credit facility. 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 and cash flow and AMB's ability to pay distributions on, and the market price of, its common stock. Accordingly, we may in the future 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, AMB is required each year to distribute to its stockholders at least 95% of its real estate investment trust taxable income (determined without regard to the dividends-paid deduction and by excluding any net capital gain). 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 general market conditions and the market's perception of our growth potential and our current and potential future earnings and cash distributions and the market price of the shares of AMB's capital stock. Additional debt financing may substantially increase our leverage.

WE COULD DEFAULT ON CROSS-COLLATERALIZED AND CROSS-DEFAULTED DEBT

As of June 30, 1999, we had 16 non-recourse secured loans which are cross-collateralized by 18 properties. As of June 30, 1999, we had $216.3 million (not including unamortized debt premium) outstanding on these loans. With the proceeds from the second transaction with BPP Retail, we repaid two loans aggregating approximately $23.7 million, which were secured by two properties. If we default on any of these loans, we will 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 and cash flow and AMB's ability to pay distributions on, and the market price of, its common 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 which is in default, which could adversely affect our financial condition, results of operations and cash flow and AMB's ability to pay distributions on, and the market price of, its common stock.

CONTINGENT OR UNKNOWN LIABILITIES COULD ADVERSELY AFFECT OUR FINANCIAL CONDITION

Our predecessors have been in existence for varying lengths of time up to 15 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 are 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 and/or shares of AMB's 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:

- liabilities for clean-up or remediation of undisclosed environmental conditions;

- claims of tenants, vendors or other persons dealing with our predecessors prior to the formation transactions that had not been asserted prior to the formation transactions;

- accrued but unpaid liabilities incurred in the ordinary course of

business;

- tax liabilities; and

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

Certain tenants 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. 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 and cash flow and AMB's ability to pay distributions on, and the market price of, its common stock.

FAILURE TO CONSUMMATE THE REMAINING TRANSACTION WITH BPP RETAIL

On March 9, 1999, the operating partnership signed three separate definitive agreements with BPP Retail, pursuant to which, if fully consummated, BPP Retail would have acquired up to 28 of our retail shopping centers, totaling approximately 5.1 million square feet, for an aggregate price of $663.4 million. The sale of five of the properties is subject to the consent of our joint venture partners. One of our joint venture partners who holds an interest in three of the properties has indicated that it will not consent to the sale of these properties at this time. We have received consents from our joint venture partners for the sale of the other two properties. As a result, the price with respect to the 25 remaining properties, totaling approximately 4.3 million square feet, is approximately $560.4 million. We intend to dispose of these three properties or our interests in the joint ventures through which we hold the properties.

Pursuant to the agreements, BPP Retail will acquire the 25 centers in separate transactions. Under the agreements, the operating partnership has the right to extend the closing dates for a period of up to either 20 or 50 days. The operating partnership has exercised this right with respect to the first and second transactions, which occurred on June 15, 1999 and August 4, 1999, respectively. Pursuant to the closings of the first and second transactions, BPP Retail acquired 21 retail shopping centers, totaling approximately 3.5 million square feet, for an aggregate price of approximately $453.2 million. We used the proceeds from the first and second transactions to repay secured debt related to the properties divested of approximately $55.5 million, to pay approximately $210.0 million in partial repayment of amounts outstanding under our unsecured credit facility, to pay transaction expenses, for potential acquisitions and for general corporate purposes. We currently expect the third transaction to close on or about December 1, 1999.

In addition, the operating partnership entered into a definitive agreement, subject to a financing condition, with Burnham Pacific, pursuant to which, if fully consummated, Burnham Pacific would have acquired up to six additional retail centers, totaling approximately 1.5 million square feet, for approximately $284.4 million. On June 30, 1999, this agreement was terminated pursuant to its terms as a result of Burnham Pacific's decision not to waive the financing condition. We currently intend to dispose of these six properties, either on an individual or portfolio basis, or our interests in the joint ventures through which we hold the properties.

We intend to use the proceeds of approximately $107.2 million from the divestiture of the remaining four retail centers to BPP Retail in the third transaction to pay approximately $26.5 million in partial repayment of amounts outstanding under our unsecured credit facility, to pay transaction expenses, for potential acquisitions and for general corporate purposes.

Although the remaining transaction with BPP Retail has a discretionary due diligence period, it is subject to certain customary closing conditions, which are generally applied on a property-by-property basis. Burnham Pacific has announced that it has received and is reviewing a merger proposal. We do not believe that the contractual obligations of BPP Retail with respect to the purchase of the retail centers will be affected by any resulting merger. BPP Retail has posted a deposit of $8.4 million on the remaining transaction. BPP Retail's liability in the event of its default under a definitive agreement is limited to its deposit. Although we believe that the remaining transaction with BPP Retail is probable, it might not close as scheduled or close at all, and it is possible that the transaction may close with respect to just a portion of the properties currently subject to the agreement. In the event that the remaining transaction fails to close, or its closing is significantly delayed, net proceeds from divestitures of properties will not be available to the same extent to fund our acquisitions and developments. Any failure or delay in such closing may also make us unable to repay certain of our indebtedness with the net

proceeds as we currently intend and could require us to borrow additional funds or seek other forms of financing.

CONFLICTS OF INTEREST

SOME OF OUR 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, a residential housing finance company, and ownership of AMB Development, Inc. and AMB Development, L.P., developers which own property that we believe is not suitable for ownership by us. AMB Development, Inc. and AMB Development, L.P. have agreed not to initiate any new development projects following AMB's initial public offering in November 1997. These entities have also agreed that they will not make any further investments in industrial or retail properties other than those currently under development at the time of AMB's initial public offering. AMB Institutional Housing Partners, AMB Development, Inc. and AMB Development, L.P. continue to use the name "AMB" pursuant to royalty-free license arrangements. The continued involvement in other real estate-related activities by some of our executive officers and directors could divert management's attention from our day-to-day operations. Most of our executive officers have entered into non-competition agreements with us pursuant to which they have agreed not to engage in any activities, directly or indirectly, in respect of commercial real estate, and not to make any investment in respect of industrial or retail 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.

We could also, in the future, subject to the unanimous approval of the disinterested members of the board of directors with respect to such transaction, acquire property from executive officers, enter into leases with executive officers, and/or engage in other related activities in which the interests pursued by the executive officers may not be in the best interests of AMB's stockholders.

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 May 31, 1999, AMB Development, L.P. owns interests in 11 retail development projects in the U.S., 10 of which consist of a single free-standing Walgreens drugstore and one of which consists of a free-standing Walgreens drugstore, a ground lease to McDonald's and a 14,000 square foot retail center. In addition, Messrs. Abbey, Moghadam and Burke, each a founder and director, own less than 1% interests in two partnerships which 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 $75,000, in a limited partnership which owns an office building located in Oakland, California.

In addition, several of our executive officers individually own:

- less than 1% interests in the stocks of certain publicly-traded real estate investment trusts;

- certain interests in and rights to developed and undeveloped real property located outside the United States;

- certain passive interests, that we do not believe are material, in real estate businesses in which such persons were previously employed; and

- certain other de minimis holdings in equity securities of real estate companies.

Thomas W. Tusher, a member of AMB's board of directors, is a limited partner in a partnership in which Messrs. Abbey, Moghadam and Burke are general partners and which owns a 75% interest in an office building. Mr. Tusher owns a 20% interest in the partnership, valued as of May 31, 1999 at approximately $1.2 million. Messrs. Abbey, Moghadam and Burke each have an approximately 26.7% interest in the partnership, each valued as of May 31, 1999 at approximately $1.6 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 AMB's board of directors with respect to that transaction.

AMB'S ROLE AS GENERAL PARTNER OF THE OPERATING PARTNERSHIP MAY CONFLICT WITH THE INTERESTS OF STOCKHOLDERS

As the general partner of the operating partnership, AMB has fiduciary obligations to the operating partnership's limited partners, the discharge of which may conflict with the interests of AMB's 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 AMB's 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 which reflects the interests of all stockholders.

AMB'S DIRECTORS, EXECUTIVE OFFICERS AND SIGNIFICANT STOCKHOLDERS COULD ACT IN A MANNER THAT IS NOT IN THE BEST INTEREST OF ALL STOCKHOLDERS

As of July 21, 1999, AMB's three largest stockholders, Cohen & Steers Capital Management, Inc. (with respect to various client accounts for which Cohen & Steers Capital Management, Inc. serves as investment advisor), Southern Company Services, Inc. and Capital Research and Management Company (with respect to various client accounts for which Capital Research and Management Company serves as investment advisor) beneficially owned approximately 21.4% of AMB's outstanding common stock. In addition, our executive officers and directors beneficially owned approximately 5.5% of AMB's outstanding common stock as of August 1, 1999, 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 AMB's 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.

WE COULD SUFFER LOSSES IF WE FAIL TO ENFORCE THE TERMS OF CERTAIN AGREEMENTS

As holders of shares of AMB's common stock and, potentially, performance units, certain of AMB's directors and officers could have a conflict of interest with respect to their obligations as directors and officers to vigorously enforce the terms of certain of the agreements relating to our formation transactions. The potential failure to enforce the material terms of those agreements could result in a monetary loss to us, which loss could have a material adverse effect on our financial condition, results of operations and cash flow and AMB's ability to pay distributions on, and the market price of, its common stock.

OWNERSHIP OF COMMON STOCK

LIMITATIONS IN AMB'S CHARTER AND BYLAWS COULD PREVENT A CHANGE IN CONTROL

Certain provisions of AMB's charter and bylaws may delay, defer or prevent a change in control or other transaction that could provide the holders of AMB's common stock with the opportunity to realize a premium over the then-prevailing market price for the common stock. To maintain AMB's qualification as a real estate investment trust for federal income tax purposes, not more than 50% in value of AMB's 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, after the first taxable year for which a real estate investment trust election is made, AMB's 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 AMB, or an owner of 10% or more of AMB's stock, actually or constructively owns 10% or more of one of AMB's tenants (or a tenant of any partnership in which AMB is a partner), the rent received by AMB (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 AMB's qualification as a real estate investment trust for federal income tax purposes, AMB will prohibit the ownership, actually or by virtue of the constructive ownership provisions of the Internal Revenue Code, by any single person of more than 9.8% (by value or number of shares, whichever is more restrictive) of the issued and outstanding shares of AMB's common stock and more than 9.8% (by value or number of shares, whichever is more restrictive) of the issued and

outstanding shares of AMB's Series A Preferred Stock, and AMB will also prohibit the ownership, actually or constructively, of any shares of AMB's Series B Preferred Stock, Series C Preferred Stock and Series D Preferred Stock by any single person so that no such person, taking into account all of AMB's stock so owned by such person, may own in excess of 9.8% of AMB's 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 distributions 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 AMB's stockholders' ability to realize a premium over the then-prevailing market price for the shares of AMB's common stock in connection with such transaction. The board of directors has waived the ownership limit applicable to AMB's common stock with respect to Ameritech Pension Trust, allowing it to own up to 14.9% of AMB's common stock and, under some circumstances, allowing it to own up to 19.6%. However, AMB conditioned this waiver upon the receipt of undertakings and representations from Ameritech Pension Trust which AMB believed were reasonably necessary in order to conclude that the waiver would not cause AMB to fail to qualify as a real estate investment trust.

AMB's charter authorizes AMB to issue additional shares of common stock and Series A Preferred Stock and to issue Series B Preferred Stock, Series C Preferred Stock, Series D Preferred Stock and one or more other series or classes of preferred stock and to establish the preferences, rights and other terms of any series or class of preferred stock that AMB issues. Although AMB's 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 AMB's stockholders.

AMB's 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 AMB's stockholders. Those provisions include the following:

- 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;

- the provision in the charter requiring a two-thirds vote of stockholders for any amendment of the charter;

- the requirement in the bylaws that the request of the holders of 50% or more of AMB's common stock is necessary for stockholders to call a special meeting;

- 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

- 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 AMB's board of directors, which in turn may delay, defer or prevent a transaction involving a change of control.

WE COULD CHANGE OUR INVESTMENT AND FINANCING POLICIES WITHOUT A VOTE OF STOCKHOLDERS

Subject to our fundamental investment policy to maintain AMB's qualification as a real estate investment trust (unless a change is approved by AMB's board of directors under certain circumstances), AMB's 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 distribute cash to stockholders.

IF WE ISSUE ADDITIONAL SECURITIES, THE INVESTMENT OF EXISTING STOCKHOLDERS WILL BE DILUTED

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

THE LARGE NUMBER OF SHARES AVAILABLE FOR FUTURE SALE COULD ADVERSELY AFFECT THE MARKET PRICE OF AMB'S COMMON STOCK

We cannot predict the effect, if any, that future sales of shares of AMB's common stock, or the availability of shares of AMB's common stock for future sale, will have on its market price. Sales of a substantial number of shares of AMB's 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 AMB's 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. On November 26, 1998, 74,710,153 shares of common stock issued in our formation transactions became eligible for sale pursuant to Rule 144, subject to the volume limitations and other conditions imposed by Rule 144. 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 AMB's option, exchange the common limited partnership units for an equal number of shares of common stock of AMB, subject to certain antidilution adjustments. The operating partnership has issued and outstanding 4,568,942 common limited partnership units to date. As of June 30, 1999, AMB has reserved 8,785,030 shares of common stock for issuance under its Stock Option and Incentive Plan (not including shares that AMB has already issued) and, as of June 30, 1999, has granted to certain directors, officers and employees options to purchase 4,572,990 shares of common stock (not including forfeitures and 16,250 shares that AMB has issued pursuant to the exercise of options). To date, AMB has granted 148,720 restricted shares of common stock, 932 of which have been forfeited. In addition, AMB 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 any performance units, AMB has agreed to file registration statements covering the issuance of shares of common stock upon the exchange of the common limited partnership units. AMB has also filed a registration statement with respect to the shares of common stock issuable under its Stock Option and Incentive Plan. These registration statements and registration rights generally allow shares of common stock covered thereby, including shares of common stock issuable upon exchange of limited partnership units, including performance units, or the exercise of options or restricted shares of common stock, to be transferred or resold without restriction under the Securities Act. AMB 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 AMB's common stock. The existence of the operating partnership's limited partnership units, options and shares of common stock reserved for issuance upon exchange of limited partnership units, and the exercise of options and registration rights referred to above, also may adversely affect the terms upon which we are able to obtain additional capital through the sale of equity securities.

VARIOUS MARKET CONDITIONS AFFECT THE PRICE OF AMB'S COMMON STOCK

As with other publicly-traded equity securities, the market price of AMB's common 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 AMB's common stock are the following:

- the extent of investor interest in us;

- 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);

- our financial performance; and

- general stock and bond market conditions, including changes in interest rates on fixed income securities which may lead prospective purchasers of AMB's common stock to demand a higher annual yield from future distributions. Such an increase in the required yield from distributions may adversely affect the market price of AMB's common stock.

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

EARNINGS AND CASH DISTRIBUTIONS, ASSET VALUE AND MARKET INTEREST RATES AFFECT THE PRICE OF AMB'S COMMON 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 distributions, and is based secondarily upon the real estate market value of the underlying assets. For that reason, shares of AMB's common stock may trade at prices that are higher or lower than the net asset value per share. To the extent AMB retains 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 AMB's common stock. AMB's failure to meet the market's expectation with regard to future earnings and cash distributions likely would adversely affect the market price of AMB's common stock. Another factor that may influence the price of AMB's common stock will be the distribution yield on the common stock (as a percentage of the price of the common stock) relative to market interest rates. An increase in market interest rates might lead prospective purchasers of AMB's common stock to expect a higher distribution yield, which would adversely affect the market price of the common stock. If the market price of AMB's common stock declines significantly, we might breach certain

covenants with respect to debt obligations, which might adversely affect our liquidity and ability to make future acquisitions and AMB's ability to pay distributions to its stockholders.

WE COULD INVEST IN REAL ESTATE MORTGAGES

We may invest in mortgages, and may do so as a strategy for ultimately acquiring the underlying property. In general, investments in mortgages include the risks that borrowers may not be able to make debt service payments or pay principal when due, that the value of the mortgaged property may be less than the principal amount of the mortgage note secured by the property and that interest rates payable on the mortgages may be lower than our cost of funds to acquire these mortgages. In any of these events, our FFO and AMB's ability to make distributions on, and the market price of, its common stock could be adversely affected. FFO means income (loss) from operations before disposal of real estate properties, minority interests and extraordinary items plus depreciation and amortization, excluding depreciation of furniture, fixtures and equipment less funds from operations attributable to minority interests in consolidated joint ventures which are not convertible into shares of common stock.

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, 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, our cash flow and the amounts available for distributions to AMB's stockholders may be adversely affected.

WE COULD ENCOUNTER COSTLY 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 and/or other costs, including investigation and clean-up costs, resulting from environmental contamination present at or emanating from that site.

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

Some of our properties are leased or have been leased, in part, to owners and operators of dry cleaners that operate on-site dry cleaning plants, to owners and operators of gas stations or to owners or operators of other businesses that use, store or otherwise handle petroleum products or other hazardous or toxic substances. Some of these properties contain, or may have contained, underground storage tanks for the storage of petroleum products and 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 underground storage tanks used to store petroleum products or other hazardous or toxic substances. In addition, certain of our properties are on, or are adjacent to or near other properties upon which others, including former owners or tenants of the properties, have engaged or may in the future engage in activities that may release petroleum products or other hazardous or toxic substances. From time to time, we may acquire properties, or interests in properties, with known adverse environmental conditions where we believe that the environmental liabilities associated with these conditions are quantifiable and the acquisition will yield a superior risk-adjusted return. In connection with certain of the properties under contract for disposition to BPP Retail, we have agreed to remain responsible for, and to bear the cost of, remediating or monitoring certain environmental conditions on the properties following the applicable closing dates of the transactions.

All of our properties were subject to a Phase I or similar environmental assessments by independent environmental consultants at the time of acquisition or shortly after acquisition. Phase I assessments are intended to discover and evaluate information regarding the environmental condition of the surveyed property and surrounding properties. Phase I assessments generally 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, but do not include soil sampling or subsurface investigations and typically do not include an asbestos survey. 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. Some of the environmental assessments of our properties do not contain a comprehensive review of the past uses of the properties and/or the surrounding properties.

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, and 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, future laws, ordinances or regulations may impose material environmental liability and the current environmental condition of our properties may be affected by tenants, by the condition of land, by 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 environmental laws and regulations now existing or adopted in the future exceed our budgets for these items, our financial condition, results of operations and cash flow and AMB's ability to pay distributions on, and the market price of, its common 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, 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 expenditures could have an adverse effect on our financial condition, results of operations and cash flow and AMB's ability to pay distributions on, and the market price of, its common stock.

FEDERAL INCOME TAX RISKS

AMB'S FAILURE TO QUALIFY AS A REAL ESTATE INVESTMENT TRUST WOULD HAVE SERIOUS ADVERSE CONSEQUENCES TO STOCKHOLDERS

AMB intends to operate so as to qualify as a real estate investment trust under the Internal Revenue Code. AMB believes that it has been organized and has operated in a manner which would allow it to qualify as a real estate investment trust under the Internal Revenue Code beginning with its taxable year ended December 31, 1997. However, it is possible that AMB has been organized or has operated in a manner which would not allow it to qualify as a real estate investment trust, or that AMB's future operations could cause it to fail to qualify. Qualification as a real estate investment trust requires AMB to satisfy numerous requirements (some on an annual and quarterly basis) established under highly technical and complex Internal Revenue Code provisions for which there are only limited judicial and administrative interpretations, and involves the determination of various factual matters and circumstances not entirely within AMB's control. For example, in order to qualify as a real estate investment trust, at least 95% of AMB's gross income in any year must be derived from qualifying sources, AMB must pay dividends to stockholders aggregating annually at least 95% of its real estate investment trust taxable income (determined without regard to the dividends paid deduction and by excluding capital gains) and AMB must satisfy specified asset tests on a quarterly basis. These provisions and the applicable treasury regulations are more complicated in our case because AMB holds its assets in partnership form. Legislation, new regulations, administrative interpretations or court decisions could significantly change the tax laws with respect to qualification as a real estate investment trust or the federal income tax consequences of such qualification. However, AMB is not aware of any pending tax legislation that would adversely affect its ability to operate as a real estate investment trust.

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

AMB PAYS SOME TAXES

Even if AMB qualifies as a real estate investment trust, it will be subject to certain federal, state and local taxes on its income and property. In addition, the net taxable income, if any, from the activities conducted through AMB Investment Management, Inc. and Headlands Realty Corporation (which we discuss below under "-- AMB Investment Management, Inc. and Headlands Realty Corporation") will be subject to federal and state income tax.

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 are held as inventory or primarily for sale to customers in the ordinary course of business is treated as income from a prohibited transaction that is subject to a 100% penalty tax. 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 AMB 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 and the Internal Revenue Service may contend that certain transfers or disposals of properties by us (including possibly some or all of the properties that are subject to the agreements with BPP Retail) are

prohibited transactions. While we believe that the Internal Revenue Service would not prevail in any such dispute, any adverse finding by the Internal Revenue Service that a transfer or disposition of property constituted a prohibited transaction would subject AMB to a 100% penalty tax on any gain allocable to AMB from the prohibited transaction. In addition, any income from a prohibited transaction may adversely affect

AMB's ability to satisfy the income tests for qualifications as a real estate investment trust for federal income tax purposes.

WE ARE DEPENDENT ON OUR KEY PERSONNEL

We depend on the efforts of AMB's 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 and cash flow and AMB's ability to pay distributions on, and the market price of, its common stock. We do not have employment agreements with any of our executive officers.

WE MAY BE UNABLE TO MANAGE OUR GROWTH

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

AMB INVESTMENT MANAGEMENT, INC. AND HEADLANDS REALTY CORPORATION

WE DO NOT CONTROL THE ACTIVITIES OF AMB INVESTMENT MANAGEMENT, INC. AND HEADLANDS REALTY CORPORATION

The operating partnership owns 100% of the non-voting preferred stock of AMB Investment Management, Inc. and Headlands Realty Corporation (representing approximately 95% of the economic interest in each entity). Certain of AMB's current and former executive officers and an officer of AMB Investment Management, Inc. own all of the outstanding voting common stock of AMB Investment Management, Inc. (representing approximately 5% of the economic interest in AMB Investment Management, Inc.). Certain of AMB's executive officers and a director of Headlands Realty Corporation own all of the outstanding voting common stock of Headlands Realty Corporation (representing approximately 5% of the economic interest in Headlands Realty Corporation). The ownership structure of AMB Investment Management, Inc. and Headlands Realty Corporation permits us to share in the income of those corporations while allowing AMB to maintain its status as a real estate investment trust. We receive substantially all of the economic benefit of the businesses carried on by AMB Investment Management, Inc. and Headlands Realty Corporation through the operating partnership's right to receive dividends. However, we are not able to elect the directors or officers of AMB Investment Management, Inc. and Headlands Realty Corporation and, as a result, we do not have the ability to influence their operation or to require that their boards of directors declare and pay cash dividends on the non-voting stock of AMB Investment Management, Inc. and Headlands Realty Corporation held by the operating partnership. The boards of directors and management of AMB Investment Management, Inc. and Headlands Realty Corporation might implement business policies or decisions that would not have been implemented by persons controlled by us and that may be adverse to the interests of AMB's stockholders or that may adversely impact our financial condition, results of operations and cash flow and AMB's ability to pay distributions on, and the market price of, its common stock. In addition, AMB Investment Management, Inc. and Headlands Realty Corporation are subject to tax on their income, reducing their cash available for distribution to the operating partnership.

AMB INVESTMENT MANAGEMENT, INC. MAY NOT BE ABLE TO GENERATE SUFFICIENT FEES

Fees earned by AMB Investment Management, Inc. depend on various factors affecting the ability to attract and retain investment management clients and the overall returns achieved on managed assets. These factors are beyond our control. AMB Investment Management, Inc.'s failure to attract investment management clients or achieve sufficient overall returns on managed assets could reduce its ability to make distributions on the stock owned by the operating partnership and could also limit co-investment opportunities to the operating partnership. This would limit the operating partnership's ability to generate rental revenues from such co-investments and use the co-investment program as a source to finance property acquisitions and leverage acquisition opportunities.

ITEM 6: EXHIBITS AND REPORTS ON FORM 8-K

(a) Exhibits:

<TABLE>

<CAPTION>
EXHIBIT
NUMBER | DESCRIPTION
- ------- | -----------
<C> | <S>
10.1 | Agreement for Purchase and Exchange entered into as of March 9, 1999 by and among AMB Property, L.P., AMB Property II, L.P., Long Gate, L.L.C. and BPP Retail, LLC, regarding the transaction which closed on June 15, 1999.
10.2 | Agreement for Purchase and Exchange entered into as of March 9, 1999 by and among AMB Property, L.P., AMB Property II, L.P., Long Gate, L.L.C. and BPP Retail, LLC, regarding the transaction which closed on August 4, 1999.
10.3 | Agreement for Purchase and Exchange entered into as of March 9, 1999 by and among AMB Property, L.P., AMB Property II, L.P., Long Gate, L.L.C. and BPP Retail, LLC, regarding the transaction which is currently scheduled to close on or about December 1, 1999.
10.4 | Dividend Reinvestment and Direct Purchase Plan, dated July 9, 1999.
10.5 | Second Amended and Restated 1997 Stock Option and Incentive Plan.
27.1 | Financial Data Schedule -- AMB Property Corporation.
</TABLE>

(b) Reports on Form 8-K:

- AMB filed a Current Report on Form 8-K on April 8, 1999, which contained pro forma financial statements as of and at December 31, 1998, relating to the transactions with BPP Retail, LLC and Burnham Pacific Properties.

- AMB filed Amendment No. 1 to Current Report on Form 8-K on June 9, 1999, which contained information relating to the transactions with BPP Retail, LLC and Burnham Pacific Properties and pro forma financial statements as of and at March 31, 1999, relating to the transactions with BPP Retail, LLC and Burnham Pacific Properties.

- AMB filed a Current Report on Form 8-K on June 15, 1999, regarding the closing of the first transaction with BPP Retail, LLC.

- AMB filed a Current Report on Form 8-K on July 1, 1999, regarding the termination of the transaction with Burnham Pacific Properties and containing updated pro forma financial statements as of and at March 31, 1999, relating to the transactions with BPP Retail, LLC.

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

Date: August 13, 1999

By: /s/ MICHAEL A. COKE

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

EXHIBIT INDEX

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EXHIBIT 10.1

AGREEMENT FOR PURCHASE AND SALE

March 9, 1999

<TABLE>
<CAPTION>

</TABLE>

List of Exhibits

* Exhibit N-1 -- Credit Calculation Example
* Exhibit O -- Indemnity Agreements
* Exhibit P -- Year 2000 Action
* Exhibit Q -- Insured Properties
* Exhibit R -- Carl's Junior Property
* Exhibit S -- Vacant Space
* Exhibit T-1 -- Audit Documents
* Exhibit T-2-- Audit Certificate
* Exhibit U-1-- No Further Action Properties
* Exhibit U-2-- Access and Remediation Agreement
* Exhibit V-- Agreements
* Exhibit W-- Litigation

AGREEMENT FOR PURCHASE AND EXCHANGE

THIS AGREEMENT FOR PURCHASE AND EXCHANGE is made and entered into as of March 9, 1999, by and among AMB PROPERTY, L.P., a Delaware limited partnership ("AMBLP"), AMB PROPERTY II, L.P., a Delaware limited partnership ("AMB II"), LONG GATE, L.L.C., a Delaware limited liability company ("Long Gate"), (AMBLP, AMB II and Long Gate are, collectively, as to the properties described on Exhibit A-2, the "Exchangors," and as to the properties described on Exhibit A-1, the "Sellers" and, together, the "Transferors"), and BPP RETAIL, LLC, a Delaware limited liability company ("Buyer"). Transferors and their respective interests in the Properties (as defined below) are identified more precisely on Exhibit A to this Agreement.

RECITALS

A. The Sellers, either directly or indirectly (with certain Third Parties (as herein defined)), hold ownership of a portfolio of properties listed on Exhibit A-1 to this Agreement and defined below with greater specificity as the " Sale Properties."

B. The Exchangors, either directly or indirectly (with certain Third Parties (as herein defined)), hold ownership of a portfolio of properties listed on Exhibit A-2 to this Agreement and defined below with greater specificity as the "Exchange Properties."

C. Buyer desires to acquire and each of Exchangors desires to transfer, subject to the terms and conditions contained in this Agreement, the entirety of its right, title and interest in the Exchange Properties.

D. Buyer desires to acquire and each of Sellers desires to sell, subject to the terms and conditions contained in this Agreement, the entirety of its right, title and interest in the Sale Properties.

AGREEMENT

NOW, THEREFORE, Buyer and Transferors do hereby agree as follows:

ARTICLE 1
BASIC DEFINITIONS

"Additional Exceptions" shall have the meaning set forth in Section 2.6(a).

"Additional Title Exception Notice" shall have the meaning set forth in Section 2.6(b).

"Allocated Price" shall refer, as to each Sale Property, to the portion of the Sale Purchase Price allocated to such Sale Property as set forth on Exhibit H-1 to this Agreement, and as to each Exchange Property, to the portion of the Exchange Price allocated to such Exchange Property as set forth on Exhibit H-2 to this Agreement.

"Closing Date" shall mean April 30, 1999 (as such date may be deferred with respect to a particular Property pursuant to the terms of this Agreement); provided, that Transferors shall have the right to extend the Closing Date for up to fifty (50) days, upon not less than ten (10) business days notice prior to the original Closing Date.

"Confirmation Letter" shall mean the letter in the form attached as

Exhibit B to this Agreement to be delivered by Buyer to Transferors on or prior to the close of the prescribed Confirmation Period pursuant to Section 3.2 below.

"Confirmation Period" shall mean the period commencing on the date of this Agreement, and ending at 5:00 p.m., California time on April 8, 1999, provided that the Confirmation Period may end earlier at Buyer's election upon delivery by Buyer to Transferors of the Confirmation Letter (representing the conclusive waiver by Buyer of any further Confirmation Period).

"Contract Period" shall mean the period from the date of this Agreement through and including the Closing Date (as the same may be extended pursuant to this Agreement).

"Contracts" shall mean all maintenance, service and other operating contracts, equipment leases and other arrangements or agreements to which any Transferors is a party affecting the ownership, repair, maintenance, management, leasing or operation of the Properties.

"Deferred Property" shall have the meaning set forth in Section 2.5(d) below.

"Deleted Property" shall have the meaning set forth in Section 2.5(d) below.

"Disclosure Materials" shall mean those materials described in Section A of the Disclosure Materials List & Statement to which Buyer has been afforded access and review rights prior to the date of this Agreement.

"Disclosure Materials List & Statement" shall mean the statement set forth as Exhibit C to this Agreement.

"Exchange Price" shall have the meaning set forth in Section 2.2(b) below.

"Exchange Property" shall mean, with respect to each of the Properties described on Exhibit A-2, the Real Property, the Personal Property and the Intangible Property. Collectively, such Properties shall be referred to as the "Exchange Properties."

"Financial Statements" shall mean the historical income and expense statements for the Properties for calendar years 1997 and 1998 (or such shorter period as Transferors may have owned an applicable Property), which have been provided to Buyer.

"Hazardous Materials" shall mean any substances, materials, wastes, pollutants or contaminants defined or listed in or subject to reporting, investigation, permitting, remediation, licensing or other regulatory requirements under any environmental laws or regulations, including, without limitation, any inflammable explosives, radioactive materials, asbestos, polychlorinated biphenyls, trichloroethylene, tetrachloroethylene, perchloroethylene and other

chlorinated solvents, petroleum products and by-products and other substances with toxic or hazardous characteristics.

"Improvements" shall mean, as to each of the properties listed on Exhibit A, the right, title and interest of the Transferors in ownership of such property in any and all structures, buildings, facilities, parking areas or other improvements situated on such property's Land and all related fixtures, improvements, building systems and equipment (including, without limitation, HVAC, security and life safety systems).

"Intangible Property" shall mean, as to each Real Property, the right, title and interest of the Transferors in ownership of such Real Property in: (a) any and all permits, entitlements, filings, building plans, specifications and working drawings, certificates of occupancy, operating permits, sign permits, development rights and approvals, certificates, licenses, warranties and guarantees, engineering, soils, pest control, survey, environmental, appraisal, market and other reports relating to such Real Property and associated Personal Property; (b) all trade names, service marks, tenant lists, advertising materials and telephone exchange numbers identified with such Real Property; (c) the Contracts and the Leases; (d) except as set forth on Exhibit L attached hereto (the "Excluded Claims"), claims, awards, actions, remedial rights and judgments, and escrow accounts relating to environmental remediation, to the extent relating to such Real Property and associated Personal Property; (e) all books, records, files and correspondence relating to such Real Property and associated Personal Property; (f) to the extent assignable, the agreements listed on Exhibit V attached hereto, including all purchase options, rights of

first refusal or first opportunity to purchase and similar rights contained therein; and (g) all other transferable intangible property, miscellaneous rights, benefits or privileges of any kind or character with respect to such Real Property and associated Personal Property, including, without limitation, under any REAs, provided that the Intangible Property shall not include any Transferor's name or any right to the reference "AMB".

"Investigation Matters" shall have the meaning set forth in Section 2.4(a) below.

"Joint Venture" shall have the meaning set forth in Section 2.7 below.

"Land" shall mean, as to each of the properties listed on Exhibit A, the land component of the property as described with precision in the Title Policies.

"Leases" shall mean, as to each Real Property, all leases, concession agreements, rental agreements or other agreements (including all amendments or modifications thereto) which entitle any person to the occupancy or use of any portion of the Real Property.

"Material Adverse Matters Amount" shall refer, as to any Property, to the amount, if any, as to which Buyer claims a credit against the Price with respect to an Investigation Matter pursuant to Section 2.5 and Exhibit N attached hereto.

"Permitted Exceptions" shall mean the various matters affecting title to the Properties that are approved or deemed approved by Buyer pursuant to Section 2.6 below.

"Personal Property" shall mean, as to each Real Property, all furniture, furnishings, trade fixtures and other tangible personal property directly or indirectly owned by the Transferors in

ownership of such Real Property that is located at and used exclusively in connection with the operation of any Real Property.

"Price" shall mean the Sale Purchase Price and the Exchange Price, collectively.

"Property" shall mean, with respect to each of the properties described on Exhibit A, the Real Property, the Personal Property and the Intangible Property. Collectively, such properties shall be referred to as the "Properties."

"Real Property" shall mean, as to each property listed on Exhibit A, the Land, the Improvements and all of Transferor's right, title and interest in and to the rights, privileges, easements, and appurtenances to the Land or the Improvements, including, without limitation, any air, development, water, hydrocarbon or mineral rights held by any Transferors, all licenses, easements, rights-of-way, claims, rights or benefits, covenants, conditions and servitude and other appurtenances used or connected with the beneficial use or enjoyment of the Land or the Improvements and all rights or interests relating to any roads, alleys or parking areas adjacent to or servicing the Land or the Improvements.

"REAs" shall have the meaning set forth in Section 4.1(b)(viii) below.

"Rent Rolls" shall refer to the information schedules attached as Exhibit E to this Agreement pertaining to the Leases.

"Sale Property" shall mean, with respect to each of the Properties described on Exhibit A-1, the Real Property, the Personal Property and the Intangible Property. Collectively, such Properties shall be referred to as the "Sale Properties."

"Sale Purchase Price" shall have the meaning set forth in Section 2.2(a) below.

"Surveys" shall refer to Transferors' existing surveys with respect to the Properties which have been delivered by Transferors to Buyer.

"Third Party" or "Third Parties" shall have the meaning set forth in Section 2.7 below.

"Title Company" shall mean Chicago Title Company; Attn: Pat Davisson (Telephone: (415) 788-0871).

"Title Policies" shall refer to Transferors' existing title insurance

policies with respect to the Properties, complete copies of which have been made available by Transferors to Buyer.

"1031 Exchange" shall have the meaning set forth in Section 6.6 below.

ARTICLE 2
PURCHASE AND EXCHANGE

SECTION 2.1 Purchase and Transfer. Exchangors agree to transfer the Exchange Properties to Buyer by means of one or more 1031 Exchanges, and Buyer agrees to acquire the Exchange Properties upon all of the terms, covenants and conditions set forth in this Agreement.

In furtherance of exchange, Buyer agrees to cooperate in such 1031 Exchanges pursuant to and as provided in Section 6.6 below. Sellers agree to sell the Sale Properties to Buyer and Buyer agrees to purchase or cause to be purchased the Sale Properties upon all of the terms, covenants and conditions set forth in this Agreement.

SECTION 2.2 Price.

(a) The aggregate purchase price for the Sale Properties (the "Sale Purchase Price") shall be the sum of Sixty Two Million Two Hundred Twenty Seven Thousand Dollars (U.S. $62,227,000), subject to adjustment in accordance with Sections 2.3 [Adjustments], 6.3 [Prorations] and 6.9 [Completion Events] below. The entire amount of the Sale Purchase Price so adjusted shall be payable by Buyer to Sellers in cash on the Closing Date through the escrow described in Section 6.1 below.

(b) The aggregate price for the Exchange Properties (the "Exchange Price") shall be the sum of Two Hundred Thirty Million Five Hundred Twenty Five Thousand Dollars (U.S. $230,525,000), subject to adjustment in accordance with Sections 2.3 [Adjustments], 6.3 [Prorations] and 6.9 [Completion Events] below. The entire amount of the Exchange Price so adjusted shall be payable by Buyer to one or more exchange facilitators selected by Exchangors in their sole discretion, in furtherance of one or more 1031 Exchanges, through payment in cash of the entire balance of the Exchange Price on the Closing Date through one or more escrows described in Section 6.1 below.

SECTION 2.3 Adjustments. In addition to the prorations and credits contemplated by Section 6.3 below, (a) the Price shall be decreased by the aggregate amount of the Allocated Prices of any Deleted Properties, (b) the portion of the Price payable on the Closing Date shall be reduced by the Allocated Price of any Deferred Properties, and (c) the Price shall be decreased by the aggregate amount of any adjustments effected pursuant to Sections 2.5 and 2.6 below.

SECTION 2.4 Buyer's Review and Transferors' Disclaimer.

(a) Buyer acknowledges that Transferors have afforded Buyer and its agents and representatives an opportunity to review all of the Disclosure Materials prior to the date of this Agreement and, subject to the express terms of this Agreement, that Buyer has completed such review to its satisfaction. Buyer has assumed fully the risk that Buyer has failed completely and adequately to review and consider any or all of such materials. But for Buyers' expression of satisfaction with the content of the Disclosure Materials, Buyer would not have entered into this Agreement; but for Buyer's expression of such satisfaction and assumption of any risk as to the character of its review and consideration of the Disclosure Materials, Transferors would not have entered into this Agreement. Nevertheless, during the Confirmation Period, Buyer shall be permitted to make a further review of information relating solely to the matters described on Exhibit N attached hereto (the "Investigation Matters") to determine whether any Material Adverse Matters Amounts exist with respect to the Properties and the extent of any such Material Adverse Matters Amount. Following the Confirmation Period, Buyer shall have no further right of inspection and review with respect to the Properties except solely for the purpose of assisting Buyer in its management transition as provided in Sections 4.2(m) and (o) and Section 6.10. The rights and obligations of the parties arising out of Buyer's determination and assertion prior to

the close of the Confirmation Period that such Material Adverse Matters Amounts do exist shall be limited and solely governed by the provisions of Section 2.5

below and Exhibit N attached hereto.

(b) Buyer's exercise of the rights of review and confirmation set forth in subsection (a) shall be subject to the following limitations: (i) any entry onto any Property by Buyer, its agents or representatives, shall be during normal business hours, following not less than 24 hours' prior notice to Transferors and, at Transferors' discretion, accompanied by a representative of Transferors; (ii) Buyer shall not conduct any drilling, test borings or other disturbance of any Property for review of soils, compaction, environmental, structural or other conditions without Transferors' prior written consent (which may be withheld in Transferor's sole and absolute discretion); (iii) any discussions or interviews with any third party, any partner of any Transferors, any tenants of a Property or their respective personnel, at Transferors' election, shall be conducted in the presence of Transferors or their representatives; (iv) any discussions or interviews with employees at any Property shall be limited to designated senior employees and, at Transferors' election, shall be conducted in the presence of Transferors or their representatives; (v) Buyer shall exercise reasonable diligence not to disturb the use or occupancy or the conduct of business at any Property; (vi) prior to any entry upon the Property by Buyer or any of its agents, representatives or consultants for the purpose of conducting any inspections, investigations or tests, Buyer shall deliver to Transferors a certificate of insurance evidencing that Buyer carries a liability insurance policy in an amount not less than $5,000,000, which liability insurance policy names each Transferors as an additional insured; and (vii) Buyer shall indemnify, defend and hold Transferors harmless from all loss, cost, and expense relating to personal injury or property damage resulting from any entry or inspections performed by Buyer, its agents or representatives. Subject to the provisions of this Agreement, Transferors shall at all times use all reasonable efforts (but at no material cost to Transferors) to provide Buyer with access or information that Buyer may reasonably request concerning the Properties, but Transferors shall bear no liability if Transferors are not able to afford Buyer such access or information despite such reasonable efforts.

(c) Buyer acknowledges (i) that Buyer has entered into this Agreement with the intention of making and relying upon its own investigation of the physical, environmental, economic and legal condition of the Properties, (ii) that, other than those specifically set forth in Article IV below or in any document to be delivered pursuant to Section 6.1 below, Transferors are not making and have not at any time made any warranty or representation of any kind, expressed or implied, with respect to the Properties, including, without limitation, warranties or representations as to habitability, merchantability, fitness for a particular purpose, title (other than Transferors' limited warranty of title set forth in the Deeds), zoning, tax consequences, latent or patent physical or environmental condition, utilities, operating history or projections, valuation, projections, compliance with law or the truth, accuracy or completeness of the Disclosure Materials, (iii) that other than those specifically set forth in Article IV below or in any document to be delivered pursuant to Section 6.1 below, Buyer is not relying upon and is not entitled to rely upon any representations and warranties made by Transferors or anyone acting or claiming to act on any of Transferors' behalf, (iv) that the Disclosure Materials include soils, environmental and physical reports prepared for Transferors by third parties as to which Buyer has no right of reliance, Buyer has conducted an independent evaluation and Transferors have made no representation whatsoever as to accuracy, completeness or adequacy (provided,

however, that nothing herein shall be deemed to limit Buyer's right to seek to obtain from the third parties which prepared such reports the right to rely on such reports at no cost to Transferors), and (v) that the Disclosure Materials include economic projections which reflect assumptions as to future market status and future Property income and expense with respect to the Properties which are inherently uncertain and as to which Transferors have not made any guaranty or representation whatsoever. Buyer further acknowledges that it has not received from Transferors any accounting, tax, legal, architectural, engineering, property management or other advice with respect to this transaction and is relying solely upon the advice of its own accounting, tax, legal, architectural, engineering, property management and other advisors. Except as provided in the representations and warranties of Transferors set forth in Article IV below and except as otherwise expressly set forth in this Agreement or in any document to be delivered pursuant to Section 6.1 below, based upon the order of Buyer's familiarity with and due diligence relating to the Properties and pertinent knowledge as to the markets in which the Properties are situated and in direct consideration of Transferors' decision to sell or exchange the Properties to Buyer for the Price and not to pursue available disposition alternatives, Buyer shall purchase the Properties in an "as is, where is and with all faults" condition on the Closing Date and assumes fully the risk that adverse latent or patent physical, environmental, economic or legal conditions may not have been revealed by its investigations. Transferors and Buyer acknowledge that the compensation to be paid to Transferors for the

Properties has taken into account that the Property is being sold or exchanged subject to the provisions of this Section 2.4. Transferors and Buyer agree that the provisions of this Section 2.4 shall survive closing.

(d) Consistent with the foregoing and subject solely to the express covenants and indemnities set forth in this Agreement and the representations set forth in Section 4.1 or in any document to be delivered pursuant to Section 6.1 below (as such covenants, indemnities and representations are limited pursuant to Section 4.4 hereof), effective as of the Closing Date, Buyer, for itself and its agents, affiliates, successors and assigns, hereby releases and forever discharges Transferors, their respective members, beneficial owners, agents, affiliates, successors and assigns (collectively, the "Releasees") from any and all rights, claims and demands at law or in equity, whether known or unknown at the time of this agreement, which Buyer has or may have in the future, arising out of the physical, environmental, economic or legal condition of the Properties, including, without limitation, all claims in tort or contract and any claim for indemnification or contribution arising under the Comprehensive Environmental Response, Compensation, and Liability Act (42 U.S.C. Section 9601, et. seq.) or any similar federal, state or local statute, rule or ordinance relating to liability of property owners for environmental matters. Without limiting the foregoing, Buyer, upon closing, shall be deemed to have waived, relinquished and released Transferors and all other Releasees from and against any and all matters arising out of latent or patent defects or physical conditions, violations of applicable laws and any and all other acts, omissions, events, circumstances or matters affecting the Properties, except for breach of the express covenants and indemnities set forth in this Agreement and the representations and warranties set forth in Section 4.1 or in any document to be delivered pursuant to Section 6.1 (as such covenants, indemnities and representations are limited pursuant to Section 4.4 hereof). For the foregoing purposes, Buyer hereby specifically waives the provisions of Section 1542 of the California Civil Code and any similar law of any other state, territory or jurisdiction. Section 1542 provides:

> A general release does not extend to claims which the creditor does not know or suspect to exist in his favor at the time of executing the release, which if known by him must have materially affected his settlement with the debtor.

Buyer hereby specifically acknowledges that Buyer has carefully reviewed this subsection and discussed its import with legal counsel and that the provisions of this subsection are a material part of this Agreement.

_____
Buyer

(e) Subject to the express covenants and indemnities set forth in this Agreement and the representations of Transferors set forth in Section 4.1 or in any document to be delivered pursuant to Section 6.1 (as such covenants, indemnities and representations are limited pursuant to Section 4.4 hereof), Buyer shall indemnify, defend and hold Transferors harmless from and against any and all losses, damages, causes of action, costs and expenses (including without limitation, reasonable attorneys' fees and costs), claims and liabilities in connection with or relating directly or indirectly to the Properties to the extent arising out of or resulting from acts or omissions occurring from and after the Closing Date. Transferors shall indemnify, defend and hold Buyer harmless from and against any and all losses, damages, causes of action, costs and expenses (including, without limitation, reasonable attorneys' fees and costs), claims and liabilities in connection with claims brought by third parties unaffiliated to Buyer (i) for physical injury to persons or physical damage to property to the extent such injury or damage occurred on the Properties and arose out of or resulted from acts or omissions of Transferors that took place prior to the Closing Date, (ii) with respect to acts or omissions of Transferors that took place prior to the Closing Date and that are actually insured under an insurance policy carried by Transferors (and then only to the extent of the proceeds actually paid under such policy, Transferors agreeing to use commercially reasonable efforts to realize such insurance proceeds) and (iii) with respect to each of the matters which are listed on Exhibit W attached hereto as such list may be amended from time to time during the Contract Period by Transferors (and provided to Buyer) to reflect new litigation filed against Transferors during the Contract Period (the foregoing items (i), (ii) and (iii) being collectively referred to as "Claims"); provided that Transferors' indemnity contained in this Section 2.4(e) shall not apply to any Claims relating to or arising out of or in connection with the environmental condition of the Properties whether or not such Claim may be covered by Transferors' environmental insurance policies.

SECTION 2.5 Material Adverse Matters Amounts.

(a) On or prior to the close of the Confirmation Period, Buyer shall deliver to Transferors the Confirmation Letter in the form attached as Exhibit B to this Agreement confirming Buyer's satisfaction as to the absence of any Material Adverse Matters Amounts other than as specified in the Confirmation Letter and waiving any further right or need to conduct further review or investigation for such purposes. Buyer's failure to deliver to Transferors on or prior to the close of the Confirmation Period an executed Confirmation Letter in the form attached as Exhibit B, without modification or qualification in any manner whatsoever (whether material or immaterial) -- excepting an enumeration and explanation of

identified Material Adverse Matters Amounts, shall be deemed conclusively as Buyer's confirmation of the absence of any Material Adverse Matters Amounts.

(b) If the Confirmation Letter identifies any Material Adverse Matters Amounts, the Confirmation Letter shall set forth: (i) the identity of any Properties as to which Buyer has identified any Material Adverse Matters Amounts, (ii) the nature of the Investigation Matter for each affected Property which resulted in such Material Adverse Matters Amounts and (iii) reasonably detailed evidence of the existence of such Material Adverse Matters Amount and Buyer's rationale for and calculation of the Material Adverse Matters Amounts set forth.

(c) If the Confirmation Letter does so identify Material Adverse Matters Amounts, then, for a period ending five (5) business days following the close of the Confirmation Period, Buyer and Transferors shall negotiate in good faith (but otherwise as a matter within each party's sole discretion) to determine whether the parties can reach a mutually acceptable reduction in the Price. The parties further acknowledge that neither participation in nor any statements made in the course of such discussions shall represent or be interpreted as an admission or agreement as to the existence, character or measure of any Material Adverse Matters Amount.

(d) In any event, if the parties are not able to reach and execute a written agreement evidencing a mutually satisfactory Price adjustment within such five (5) business day negotiation period, Transferors shall provide Buyer with written notice (the "Election Notice") within an additional period of three (3) business days informing Buyer that Transferors, in Transferors' sole discretion: (i) dispute the existence or measure of Material Adverse Matters Amounts as to Properties identified in the Election Notice, (ii) accept Buyer's calculation of the Material Adverse Matters Amounts, in which case the Price shall be reduced by the Material Adverse Matters Amount set forth in Buyer's calculation, or (iii) withdraw Properties identified in the Election Notice from the sale or exchange to Buyer; provided, however, that Transferors shall not be permitted to withdraw any Property unless the Material Adverse Matters Amount claimed by Buyer exceeds $200,000 with respect to such Property and exceeds $900,000 with respect to all of the Properties (in which event Transferors, in Transferors' discretion, may withdraw such Properties as to which Material Adverse Matters Amounts are claimed until the claimed Material Adverse Matters Amounts for the remaining Properties is less than or equal to $900,000). Any Property identified as the subject of dispute under clause (i) above shall be referred to as a "Deferred Property." Any Property withdrawn under clause (iii) above shall be referred to as a "Deleted Property."

(e) If Transferors have elected to dispute the calculation of any Material Adverse Matters Amounts under subsection (d)(i) above, such dispute shall be submitted promptly to arbitration pursuant to Section 7.5 below. Buyer and Transferors, respectively, shall remain fully obligated to purchase and sell or exchange, as applicable, both the Deferred Properties and all other Properties (excepting any Deleted Properties) on the terms and conditions set forth in this Agreement, provided that (i) the Price payable on the Closing Date applicable to all other Properties shall be reduced by the Allocated Price of the Deferred Properties, (ii) the Closing Date with respect to the Deferred Properties shall be deferred to that date ten (10) business days following the issuance of a final decision in arbitration, (iii) an amount equal to five percent (5%) of the Allocated Price for each Deferred Property shall be

retained by Title Company as a continuing Deposit subject to disposition in accordance with Section 5.1 below as to such Deferred Property and (iv) the Allocated Price with respect to each Deferred Property shall be subject to any reduction determined in arbitration.

(f) Subject to the provisions of Section 2.8, if a Property is

designated as a Deleted Property, Buyer and Transferors, respectively, shall have no further obligation to purchase or sell or exchange, as applicable, the Deleted Properties, shall remain obligated to purchase or sell or exchange, as applicable, all other Properties and the Price payable on the Closing Date applicable to all other Properties shall be reduced by the Allocated Prices of the Deleted Properties.

SECTION 2.6 Title Exceptions.

(a) Buyer acknowledges that prior to the date hereof, Transferors have provided to Buyer access to copies of the Title Policies, as well as copies of the exception documents referred to in the Title Policies and copies of the Surveys of the Properties, to the extent such exceptions are in Transferors' immediate possession. Buyer also acknowledges that Transferors have requested Title Company to deliver to Buyer updated title reports to the Title Policies, as well as copies of any exception documents relating to exceptions that are reflected in such updates that have not otherwise been provided to Buyer prior to the date hereof; provided that Transferors shall have no liability hereunder if Buyer is unable to obtain copies of any such documents and Buyer shall have no rights hereunder with respect thereto. Buyer may continue to secure during the Confirmation Period any additional title or survey updates desired by Buyer (and will use reasonable efforts to provide the copies of such updates to Transferors promptly after receipt of same by Buyer). As used herein, the term "Additional Exceptions" shall mean (i) any title exceptions or survey exceptions or qualifications identified by Title Company that are not within the definition of Permitted Exceptions, (ii) the items listed on Exhibit G-2 to the extent they materially and adversely affect the use, occupancy or value of a Property, provided that such items shall not be deemed to materially and adversely affect the use, occupancy and value of a Property to the extent Buyer has approved (or is deemed to have approved) exceptions on such Property or other Properties which are substantially similar in all material respects, (iii) matters shown on surveys described in the Exhibit G Title Policies (as defined in Exhibit G) or, if such surveys cannot be located or otherwise obtained, on new surveys obtained by Buyer, for the Properties identified on Exhibit G-2 which were not shown on the surveys for such Properties delivered or made available to Buyer, if applicable, and which materially and adversely affect the use, occupancy or value of a Property, provided that such items shall not be deemed to materially and adversely affect the use, occupancy and value of a Property to the extent Buyer has approved (or is deemed to have approved) such matters on such Property or other Properties which are substantially similar in all material respects, and (iv) with respect to any Property as to which the Title Company will not agree at least ten (10) business days prior to the end of the Confirmation Period to issue a survey endorsement referring to the same survey as is referenced in Transferors' most recent Exhibit G Title Policy (for such Property), any variance established by Buyer from the legal descriptions insured in Transferors' most recent Exhibit G Title Policies to the surveys described in such Title Policies (other than variances actually known to Buyer as of the date hereof). Buyer, in any event, shall endeavor in good faith (but at no out-of-pocket cost to Buyer) to cause the Title Company to delete or insure over any Additional Exceptions to Buyer's reasonable satisfaction prior to Buyer's expression of such matters in an

Additional Title Exception Notice (as described below). Buyer shall have the right to request that the Title Company provide at Buyer's sole cost and expense any reinsurance or endorsements Buyer shall reasonably request with respect to Permitted Exceptions, Additional Exceptions or otherwise, provided that the issuance of such reinsurance or endorsements shall not be a condition to or delay the closing except as otherwise provided in this Agreement.

(b) Buyer shall have the right to deliver a notice to Transferors identifying any Additional Exceptions (the "Additional Title Exception Notice") by the earlier of (i) five (5) business days after Scott Verges becomes aware of the matter constituting an Additional Exception or (ii) the close of the Confirmation Period. Buyer's failure to deliver any such notice in timely fashion shall be deemed an approval of any such Additional Exceptions. Buyer shall have no right to deliver an Additional Title Exception Notice following the close of the Confirmation Period. If Buyer delivers an Additional Title Exception Notice within such period, Buyer and Transferors shall promptly attempt to agree upon the method or cost to cure or remove such Additional Exception or, if not susceptible to cure or removal, an appropriate reduction in the Allocated Price for the affected Property. If Transferors and Buyer are unable to agree upon a resolution within five (5) business days following Transferors' receipt of an Additional Title Exception Notice, Transferors shall elect, at its option and by written notice given not later than the date of Transferors' delivery of an Election Notice under Section 2.5(d) above, (i) to terminate this Agreement with respect to the affected Property, in which event such Property shall be treated as a Deleted Property or (ii) to submit the existence of the Additional Exception, the character of a satisfactory cure or the measure of appropriate price reduction to arbitration in accordance with the

terms of Section 7.5, in which case the Property shall be treated as a Deferred Property. Notwithstanding the foregoing, Buyer shall not have the right to object to any Additional Exception if Title Company is willing to affirmatively insure or endorse over such Additional Exception at Transferors' expense, and the Title Company is acting in a commercially reasonable manner in providing such affirmative insurance or endorsement and Buyer reasonably approves the form and substance of such affirmative insurance or endorsement.

(c) "Permitted Exceptions" shall include and refer to the title exceptions set forth in Exhibit G attached hereto. Notwithstanding the foregoing, Transferors shall remove or cause the Title Company to remove or, except with respect to Deed of Trust Liens (as herein defined), endorse over by endorsement reasonably satisfactory to Buyer, at Transferors' sole cost and expense, on or prior to the Closing Date and there shall not be treated as Permitted Exceptions: (i) any liens of any mortgages or deeds of trust securing indebtedness of Transferors or its affiliates (collectively, "Deed of Trust Liens") and any other liens for monetary obligations (including mechanic's liens, but excluding (A) mechanic's liens filed by contractors or any other parties which are working for tenants under Leases or for Transferors where the obligation to pay such contractors or other parties is directly or indirectly an obligation of such tenants (but only to the extent (x) such obligation is not subject to reimbursement or payment by Transferors or its affiliates and (y) such tenant has neither filed for protection under applicable bankruptcy laws nor abandoned its premises) or which arise in connection with work as to which Buyer is to receive a credit at the closing (but only to the extent of such credit) or has agreed to assume the obligation which is the subject of such lien, and (B) any other liens which, in the aggregate, exceed Thirty-Five Thousand Dollars ($35,000) for a particular Property, which arise following the date of Buyer's execution and delivery of this Agreement and which were not created by or

acquiesced in by Transferors, any affiliate of Transferors, or any partner, member, officer, director, employee, agent or representative of either such party) that are not assumed by Buyer (for such purposes, all assessments collected with ad valorem real estate taxes and which are paid in installments and are not delinquent as of the Closing Date shall be assumed by Buyer (subject to the provisions of Section 6.3) and represent Permitted Exceptions); provided, however, that with respect to any liens identified in clause (B) above, (1) Transferors shall have the right, in Transferors' sole discretion, to (x) remove or cause the Title Company to remove or endorse over by endorsement reasonably satisfactory to Buyer, such lien at Transferors' sole cost and expense on or prior to the Closing Date, or (y) terminate this Agreement with respect to the affected property in which event such Property shall be treated as a Deleted Property, and (2) such liens shall not be Permitted Exceptions unless consented to by Buyer; and (ii) any title matters created in violation of Transferors' covenant set forth in Section 4.2(e) below.

(d) Transferors shall have no obligation to execute any affidavits or indemnifications in connection with the issuance of Buyer's title insurance excepting only the affidavit attached hereto as Exhibit K and such other customary affidavits as to authority, the rights of tenants in occupancy, the status of mechanics' liens and other affidavits or indemnifications reasonably necessary to address matters of title which Transferors are obligated to remove or cure pursuant to this Section 2.6.

SECTION 2.7 Joint Venture Interests. Buyer acknowledges that the Properties identified on Exhibit M attached hereto are owned by entities (each a "Joint Venture") in which a Transferor and an unrelated third party (each, a "Third Party" and collectively, the "Third Parties") own the beneficial interests. If the consent or waiver of applicable Third Parties is not required for a Transferor to sell or exchange a Property owned by a Joint Venture, then Transferors shall cause the Property to be sold or exchanged by such Joint Venture to Buyer. With respect to each Joint Venture where the consent or waiver of a Third Party is required, Transferors shall, at Transferors' election made in Transferors' sole discretion, attempt to either (i) obtain the consent of the applicable Third Party to cause the Joint Venture to sell or exchange the applicable Property to Buyer, or (ii) acquire the Third Party's interest in the Joint Venture prior to or concurrent with the closing hereunder, to the extent such purchase is permitted under the terms of the applicable Joint Venture's operative agreement (or consented to by the Third Party) and thereafter cause the Joint Venture to sell or exchange the applicable Property to Buyer. Transferors shall not be required to expend any amounts to obtain the consent of any Third Party pursuant to clause (i), but Transferors shall be required to expend up to (but not more than) the net amount of the applicable Third Party's proportionate share of the Allocated Price of the applicable Property based on such Third Party's interest in the Joint Venture in order to acquire such Third Party's interest pursuant to clause (ii) above. If Transferors are unable to obtain a required consent or waiver from a Third Party to a sale of the Property or acquire the Third Party's interest in such Joint Venture (after agreeing to

expend the amount set forth above), then this Agreement shall be terminated with respect to the affected Property, in which event such Property shall be treated as a Deleted Property.

SECTION 2.8 Reinstatement Right. Notwithstanding anything to the contrary contained in this Agreement, if Transferors elect to treat a Property as a Deleted Property under Sections 2.5, 2.6 or 4.4 of this Agreement, Buyer shall have the right, by providing Transferors with written notice given within three (3) business days after receipt of Transferors' notice

designating a Property as a Deleted Property, to cause such Property to no longer be treated as a Deleted Property and to purchase such Property in accordance with this Agreement, in which event the specific condition giving rise to Transferors' treatment of such Property as a Deleted Property shall be deemed waived by Buyer and Buyer shall not receive any adjustment to the Allocated Price for such Property or have any right to deliver a Claim Notice as a result of such condition.

ARTICLE 3
CONDITIONS PRECEDENT

SECTION 3.1 Conditions.

(a) Notwithstanding anything in this Agreement to the contrary, Buyer's obligation to purchase a particular Property shall be subject to and contingent upon the satisfaction or waiver of the following conditions precedent with respect to such Property:

(i) The willingness, upon the sole condition of the payment of any regularly scheduled premium, of the Title Company (or another title insurance company reasonably satisfactory to Buyer) to issue Owner's Policies of Title Insurance in the form of the Title Policy issued to the applicable Transferor with respect to each Property in connection with the initial public offering of the stock of the Company (as herein defined) ("IPO") or, if no Title Policy was issued for a Property in connection with the IPO, then the Title Policy issued upon the acquisition of the Property by the applicable Transferor (or the party that contributed such Property to the Transferor at the IPO (a "Contributor") (or such other form(s) as may be reasonably satisfactory to Buyer)), and with all of the endorsements issued in any Title Policy issued by the Title Company for a particular Property insuring Buyer (or Buyer's permitted assignee or nominee) that title to the applicable Real Property is vested of record in Buyer (or Buyer's permitted assignee or nominee) on the Closing Date subject only to the printed conditions and exceptions of such policies (but deleting (by endorsement or otherwise), where permitted under applicable laws or regulations and at Buyer's expense, any co-insurance, creditors rights and so-called "standard" exceptions) and the Permitted Exceptions applicable to such Real Property. Transferors will cooperate and use reasonable efforts (but at no out-of-pocket cost to Transferors) to assist Buyer in obtaining all endorsements contained in the Title Policies (whether issued in connection with the IPO or an acquisition). Without limiting the foregoing, if the Title Company (and, to the extent applicable, a different title insurance company if one other than the Title Company previously issued any such endorsement) refuses to issue such endorsement to Buyer at closing with respect to a matter insured against under the Title Policies, upon request of Buyer, Transferors will assert a claim against such insurer at Buyer's expense and direction with the goal of enabling Buyer to obtain such endorsement from such title company. Nothing contained in the second, third, or fourth sentence of this Section 3.1(a)(i) shall be construed as expanding the provisions of the first sentence of this Section 3.1(a)(i) or Section 2.6 or be considered a condition to Buyer's obligation to purchase any of the Properties and Transferors shall have no liability whatsoever if they are unable to cause a title company to issue any such endorsement;

(ii) With respect to a particular Property, such Property has not been designated a Deleted Property pursuant to this Agreement; and

(iii) Transferors' performance or tender of performance of all material obligations under this Agreement with respect to the applicable Property, including Transferors' covenants under Section 4.2 with respect to such Property.

(b) Notwithstanding anything in this Agreement to the contrary,

Transferors' obligation to sell or exchange a particular Property or all of the Properties, as the case may be, shall be subject to and contingent upon the satisfaction or waiver of the following conditions precedent:

(i) With respect to a particular Property, such Property has not been designated a Deleted Property pursuant to this Agreement; and

(ii) Buyer's performance or tender of performance of all material obligations under this Agreement.

SECTION 3.2 Failure or Waiver of Conditions Precedent.

(a) If any of the conditions set forth in Section 3.1(a)(i) or (iii) is not fulfilled or waived by Buyer with respect to a particular Property, Buyer may, by written notice to Transferors, terminate this Agreement with respect to the applicable Property and such Property shall be treated as a Deleted Property. If the condition set forth in Section 3.1(b)(ii) is not fulfilled or waived, Transferors may, by written notice to Buyer, terminate this Agreement, whereupon all rights and obligations hereunder of each party shall be at an end. Either party may, at its election, at any time or times on or before the date specified for the satisfaction of the condition, waive in writing the benefit of any of the conditions set forth in Section 3.1(a) and 3.1(b) above. In any event, Buyer's consent to the close of escrow with respect to a Property pursuant to this Agreement shall waive any remaining unfulfilled conditions for the benefit of Buyer with respect to such Property.

(b) Notwithstanding the foregoing, if Buyer desires to terminate this Agreement with respect to a Property based upon a failure of the condition set forth in Section 3.1(a)(i) or (iii) above, Transferors shall have a period of 30 days within which to cure such failure or, if such failure cannot reasonably be cured within 30 days, an additional reasonable time period of up to an additional 60 days (for a total of 90 days), so long as such cure has been commenced within such 30 days and is at all times diligently pursued. If Transferors have not cured such failure within such cure period then Buyer may elect to terminate this Agreement with respect to the affected Property, in which event such Property shall be treated as a Deleted Property.

ARTICLE 4
COVENANTS, WARRANTIES AND REPRESENTATIVES

SECTION 4.1 Transferors' Warranties and Representations. Each of Transferors expresses to Buyer the representations and warranties set forth below as of the date of this

Agreement, provided that each of such representations and warranties shall be deemed expressly qualified by any information set forth on the Disclosure Materials List & Statement or contained in the Disclosure Materials, and any information set forth on the Disclosure Materials List & Statement or contained in the Disclosure Materials shall be deemed an exception to each and all of Transferors' representations and warranties set forth herein.

(a) Each of Transferors represents and warrants with respect to itself as follows:

(i) The Transferor (and Transferor's general partners, if Transferor is a limited partnership, and each of its constituent members, if Transferor is a limited liability company) is duly organized, validly existing and in good standing under the laws of its jurisdiction of organization and the Transferor is qualified to do business in each state in which Real Property owned by such Transferor is located to the extent the failure to so qualify would have a material and adverse effect on Transferor's performance of its obligations under this Agreement. The Transferor has full power and lawful authority to enter into and carry out the terms and provisions of this Agreement and to execute and deliver all documents which are contemplated by this Agreement, and all actions of the Transferor necessary to confer such power and authority upon the persons executing this Agreement (and all documents which are contemplated by this Agreement) on behalf of the Transferor have been taken;

(ii) Except with respect to the third party consents expressly described in or contemplated under this Agreement or expressly required under any agreements included in Intangible Property, including the consent of Third Parties, if required, the Transferor's execution and delivery of this Agreement, the consummation of the transactions contemplated hereby and the performance of the Transferor's obligations under the instruments required to be delivered by the Transferor at the closing, do not and will not require the consent, approval or other authorization of, or registration, declaration or filing with, (collectively, "Consents") any governmental authority (excepting the recordation of closing documents contemplated in this Agreement and any

filings required under applicable state or federal securities or tax laws) or any other person or entity, except such Consents as will be obtained on or before closing or as to which the failure to obtain would not have a material and adverse effect on Transferor's performance of its obligations under this Agreement, and do not and will not result in any material violation of, or material default under, any term or provision of any agreement, instrument, mortgage, loan agreement or similar document to which the Transferor is a party or by which the Transferor is bound. Subject to the foregoing, all partnership, limited liability company, board of directors and shareholder approvals required for Transferor to enter into this Agreement and to consummate the transactions described in this Agreement have been obtained;

(iii) There is no litigation, investigation or proceeding pending or, to the best of the Transferor's knowledge, contemplated or threatened against the Transferor which would impair or adversely affect the Transferor's ability to perform its obligations under this Agreement or any other instrument or document related hereto; and

(iv) The Transferor is not a "foreign person" as defined in Internal Revenue Code 1445(f)(3).

(b) Each of Transferors represents and warrants as follows with respect to each Property owned by such Transferor:

(i) As of the date of this Agreement, Transferor has no knowledge that, and has received no written notice from any governmental authorities that eminent domain proceedings for the condemnation of any Property or any part of a Property are pending;

(ii) As of the date of this Agreement, Transferor has no knowledge that, and has received no written notice of any threatened or pending litigation against Transferor other than routine matters covered by Transferor's insurance or other matters which would not materially and adversely affect any Property;

(iii) As of the date of this Agreement, Transferor has received no written notice from any governmental authority that the improvements constituting any Property are presently in material violation of any applicable building codes where such violation has not been cured in all material respects;

(iv) As of the date of this Agreement, Transferor has received no written notice from any governmental authority that any Property is presently in material violation of any applicable zoning, land use or other law, order, ordinance, rule or regulation affecting the Property which violation has not been cured, that any investigation has been commenced or is contemplated with respect to any such possible failure of compliance and Transferor has not received written notice from any insurance company or Board of Fire Underwriters any written notice of any defect or inadequacy in connection with a Property or its operation where such defect or inadequacy has not been cured in all material respects;

(v) There are no Contracts involving payment in excess of $25,000 per annum with respect to any Property that will be binding upon Buyer after the closing, other than such Contracts that are cancelable by the owner of the Property within 30 days after written notice from such owner without penalty or premium (other than penalties or premiums that will be paid by Transferor on or before the closing);

(vi) As of the date of this Agreement, except as set forth in the environmental reports included within the Disclosure Materials and any reports or studies prepared by or for Buyer, Transferor has received no written notice of the presence or release of any Hazardous Materials presently deposited, stored, or otherwise located on, under, in or about any Property which require reporting to any governmental authority or are otherwise not in compliance with environmental laws, regulations and orders;

(vii) The Rent Rolls constituting Exhibit E to this Agreement completely and accurately identify as to each Lease as of February 15, 1999: the expiration date of the current term of the Lease; the amount of any security deposit held by Transferor; the current base rental payable under such Lease and future rent escalations; the amount of additional rent (i.e., cost recovery) currently billed to the tenant under the Lease; and the approximate rentable area of the premises. As of February 15, 1999, each Lease identified on the Rent Roll was, to the best of Transferor's knowledge, in full force and effect and, to the best of Transferor's knowledge, Transferor was not in material default thereunder. As of March 1,

1999, Transferor had not received written notice of any material default by Transferor under any Leases, which default had not been cured in all material respects, and Transferor has not delivered any default notice to a tenant under any Lease and, to Transferor's knowledge and except as set forth in the delinquency reports provided by Transferors to Buyer, Transferor was not aware of any other default by a tenant under a Lease as to which default Transferor would customarily have delivered a notice of default to such tenant but has not done so, which defaults have not been cured in all material respects. Transferor has delivered or made available to Buyer copies of all Leases of more than 14,000 square feet or any amendments thereto executed on or before the date of this Agreement (other than the Leases with Old Navy and Kids R Us at Corbins Corner);

(viii) As of the date of this Agreement, Transferor has received no written notice that Transferor or any other party is in default under any reciprocal easement agreement or declaration of covenants, conditions, and restrictions or any other similar instrument or agreement affecting any of the Properties (collectively, the "REAs"), which default has not been cured in all Material respects;

(ix) Except with respect to rights of Third Parties under the Joint Ventures, Transferor has not granted any option or right of first refusal or first opportunity to acquire any fee or ground leasehold estate of any portion of the Properties;

(x) As of the date of this Agreement, the Financial Statements delivered to Buyer by Transferor are true and correct in all material respects;

(xi) With respect to the matters contained in the Disclosure Materials List & Statement and the Disclosure Materials, to Transferor's knowledge, Transferor has not willfully and intentionally omitted to state any material facts required to be stated therein or willfully and intentionally made any untrue statement of a material fact, which would render the Disclosure Materials List & Statement or the Disclosure Materials materially misleading. Transferor has not willfully and intentionally failed to deliver or make available to Buyer all of the following documents in Transferor's immediate possession and has not instructed any third party not to deliver any such documents to Buyer: (x) reports regarding the environmental condition of the Properties or (y) reports obtained in connection with the acquisition of a Property regarding the physical condition and legal compliance of such Property; and

(xii) Transferor has taken the steps described on Exhibit P attached hereto in an effort to cause all computer hardware and software at each Property which is the direct responsibility of Transferor (and not the responsibility of a tenant, vendor or other third party) and which controls utility and other physical operating functions including, without limitation, alarm and other security systems, irrigation systems, lighting systems, health safety systems and similar functions (the "Owner's Computer Systems"), to at all times hereafter provide the following functions: (a) consistently handle date information before, during and after January 1, 2000 including, without limitation, accepting date input, providing date output and performing calculations on dates or portions of dates; (b) function accurately in accordance with the specifications for such computer hardware or software and without interruption before, during and after January 1, 2000, without any change in operations associated with the advent of the new century; (c) respond to two digit date input in a way that resolves any ambiguity as to

century in a disclosed, defined and predetermined matter; and (d) store and provide output data information in ways that are unambiguous as to century. To Transferor's knowledge, as of the date of this Agreement, the cost to correct any failure of the Owner's Computer Systems to provide the foregoing functions would not be material (provided, that no representation or warranty is made with respect to any such failure for reasons other than the advent of the new century).

Subject to the provisions of Section 4.4, each of the Transferors shall be jointly and severally liable for the breach of any representation and warranty of a Transferor set forth in this Section 4.1.

* * * * *

For the foregoing purposes, the terms "Transferors' knowledge" or "Transferor's knowledge" or words of similar effect shall mean the current actual, subjective

knowledge of Messrs. John Diserens, Michael Coke, Blake Baird and David Fries (collectively, the "Knowledge Persons"), in each case without independent investigation or inquiry, but after inquiry of the current asset managers who are employees of Transferors in its retail division. Such individuals' knowledge shall not include information or material which may be in the possession of any of the Transferors or the named individuals, but of which the named individuals are not actually aware. Transferors shall have no liability for the breach of any representations or warranties absent an arbitrated or judicial finding that the named individuals knowingly withheld information from Buyer with respect to the subject matter of the representation or warranty or falsified information delivered to and relied upon by Buyer and that such action amounted to a violation of a representation or warranty expressly set forth in this Agreement. None of the named individuals whose sole knowledge is imputed to a Transferors under this Section nor any party other than the Transferors affording a representation shall bear responsibility for any breach of such representation.

SECTION 4.2 Transferors' Covenants. Transferors hereby covenants and agrees as follows:

(a) During the Contract Period, Transferors will exercise reasonable and good faith efforts (i) to operate and maintain the Properties in a manner consistent with current practices and (ii) to comply, where such compliance is the obligation of Transferors (and not of a tenant or other party) in all material respects with all material laws and regulations applicable to the Properties;

(b) During the Contract Period, Transferors will not sell or otherwise dispose of any significant items of Personal Property unless replaced with an item of like value, quality and utility;

(c) During the Contract Period, Transferors shall not enter into or modify any Contracts relating to the operation or maintenance of a Property, except for (i) those entered into in the ordinary course of business with parties which are not affiliates of Transferors and (A) which are cancelable upon not more than thirty (30) days prior notice without penalty or premium or (B) which require payments to the applicable vendor of $25,000 or less per year and

which, in the aggregate for any individual Property, require payments to the applicable vendors of $50,000 or less per year, or (ii) those otherwise approved by Buyer, which approval shall not be unreasonably withheld and shall be deemed given if Buyer should fail to approve or disapprove proposed Contract matters in writing within 5 business days following Transferor's written request (which shall include all material information necessary to allow Buyer to make an informed decision). At Buyer's written request provided at least five (5) business days prior to the Closing Date, Transferors shall deliver notice of termination on the Closing Date as to any and all Contracts that Buyer desires to terminate, provided that such termination shall be effective following any notice or waiting period for such termination described in the Contract and that Transferors shall not be required to bear any termination or cancellation fee or charge that may be assessed under such Contract based upon an early termination. Notwithstanding the foregoing, Transferors shall terminate all property management agreements and exclusive leasing agreements applicable to the Properties as of the Closing Date, at Transferors' expense;

(d) During the Contract Period, Transferors will not execute or modify in any material fashion any Leases pertaining to premises in excess of 5,000 rentable square feet or any ground lease, other than with Buyer's prior consent, which shall be deemed given if Buyer (in the person of Burnham Pacific Properties, Inc.'s chief investment officer or chief operating officer) should fail to approve or disapprove proposed lease matters in writing within 5 business days following Transferors' written request (which shall include all material information necessary to allow Buyer to make an informed decision). Buyer shall exercise its rights of approval of leasing matters reasonably and in good faith. With respect to new Leases or Lease amendments pertaining to premises of 5,000 rentable square feet or less, Transferors shall have the right to enter into new Leases or amendments without any need to obtain Buyer's consent, provided that (A) such new Lease or amendment is entered into on an arm's length basis and the applicable Transferors believes in its good faith reasonable discretion that it is entering into such new Lease or modification on market terms (B) such new Lease or amendment does not provide for a cap on the pass through of cost recoveries or exclude the recovery of management fees, (C) such new Lease or amendment does not contain a material change to the assignment provision of Transferors' standard lease form in use at the applicable Property (the "Standard Form"), (D) with respect to a new Lease, Transferors initiated negotiations with such tenant using the Standard Form and any changes thereto are consistent with Transferors' standard leasing practices, and (E) Buyer is provided with a copy of the executed Lease or modification documents within a reasonable period after such documents are executed. Transferors shall use

reasonable efforts to continue to seek leases for the Properties in a manner consistent with present practice;

(e) During the Contract Period, except with respect to actions taken by Third Parties without the applicable Transferor's consent in connection with Joint Venture Properties, Transferors shall not voluntarily create, consent to or acquiesce in the creation of liens or exceptions to title without Buyer's prior written consent, provided that Buyer shall not unreasonably withhold or delay consent to any proposed matters affecting title necessary to maintain or enhance the value of the pertinent Property;

(f) During the Contract Period, Transferors shall maintain its currently effective policies of property insurance and rental loss insurance for the Improvements;

(g) During the Contract Period, Transferors shall use commercially reasonable efforts (but at no material cost to Transferors except as may otherwise be expressly provided in this Agreement) to obtain all third party and governmental approvals and consents necessary to consummate the transactions contemplated hereby;

(h) During the Contract Period, Transferors shall maintain their books accounts and records in a manner consistent with past practice;

(i) During the Contract Period, Transferors shall observe and comply with the material terms and conditions of all Contracts, Leases, Property licenses, and Property approvals;

(j) During the Contract Period, Transferors shall not knowingly and intentionally take any action which would cause the representations and warranties contained in Section 4.1 (other than as permitted in this Agreement) to cease to be true and correct in all material respects as of the Closing Date as though then made;

(k) During the Contract Period, Transferors shall comply in all material respects with all existing easements, covenants, conditions, restrictions and other encumbrances affecting any Property;

(l) During the Contract Period, Transferors shall reasonably cooperate with Buyer, but at no cost to Transferors, (i) to assist Buyer in obtaining environmental insurance coverage for the Properties (provided, that in no event shall Buyer have the right to perform any environmental testing in connection with obtaining such insurance) and (ii) to enable Buyer to exercise and close on the Applewood Option (as defined in the Disclosure Materials List & Statement) and, at Buyer's written request, with respect to any other similar options or rights described on Exhibit V attached hereto, as soon as possible after the closing, provided such option(s) shall not be exercised or caused to be exercised by Buyer prior to the closing and Transferors shall not be required to exercise such option(s) prior to the closing);

(m) During the Contract Period, but subject to the provisions of Sections 2.4 and 2.5, Transferors shall permit Buyer, and Buyer's lenders and its representatives, to have reasonable access (upon reasonable notice, during normal business hours and, if required by Transferors, accompanied by a representative of Transferors) to the books, records and Properties, and, with Transferors' prior approval not to be unreasonably withheld, tenants, parties to REAs, parties to options and rights of first refusal, and parties to management agreements and Contracts, in order to assist Buyer in its management transition with respect to the Properties and to provide information to its lenders that is reasonably requested by them;

(n) As a courtesy to Buyer, during the Contract Period, Transferors shall use reasonable efforts to provide Buyer with copies of any written notices received by Transferors during the Contract Period, which notices relate to matters described in Section 4.1(b)(i), (ii), (iii), (iv), (vi), (vii) or (viii); provided, that notwithstanding anything to the contrary contained in this Agreement, Transferors shall have no liability whatsoever to Buyer as a result of its failure to comply with the provisions of this Section 4.2(n);

(o) During the Contract Period, Transferors shall provide reasonable access to the Disclosure Materials (upon reasonable notice and during normal business hours) and the right

to copy such materials (at no cost to Transferors) in order to assist Buyer in its management transition with respect to the Properties and to provide information to its lenders that is reasonably requested by them;

(p) During the Contract Period, Transferors shall meet and confer with Buyer on a regular basis to discuss leasing activity at the Properties and the status of work described in Section 6.9 and shall provide Buyer at such meetings or otherwise reasonably detailed information regarding the costs incurred with respect to, and the costs anticipated to complete, such work;

(q) During the Contract Period, Transferors shall notify Buyer of any litigation filed against Transferors during the Contract Period within a reasonable period of time after Transferors are made aware of such litigation and Exhibit W shall be revised to include such litigation; and

(r) During the Contract Period, to the extent Transferors have a right of first offer or right of first refusal to purchase any real property related to any of the Properties and Transferors receive written notice that the period for exercising such right has commenced, Transferors shall promptly notify Buyer and Buyer shall have the right, by written notice to Transferors, to request that at closing Transferors assign such right to Buyer (if assignable) or use reasonable efforts to cause the applicable property to be direct deeded to Buyer; provided, that in no event shall Transferors have any liability or incur any cost with respect to such property or be required to take title to such property, and Buyer shall deliver to Title Company at the times required in connection with such right to purchase, and remain responsible for, any funds to be paid in connection with the acquisition of such property.

SECTION 4.3 Buyer's Warranties and Representations. Buyer hereby represents and warrants to Transferors that the following are true as of the date of this Agreement:

(a) Buyer is a duly formed and validly existing limited liability company under the law of the state of its formation and is (or on the Closing Date will be) in good standing under the laws of the states where each Property is located and Buyer has the full right, authority and power to enter into this Agreement, to consummate the transactions contemplated herein and to perform its obligations hereunder and under those documents and instruments to be executed by it at the closing, and each of the individuals executing this Agreement on behalf of Buyer is authorized to do so, and this Agreement constitutes a valid and legally binding obligation of Buyer enforceable against Buyer in accordance with its terms.

(b) Buyer's execution and delivery of this Agreement, the consummation of the transactions contemplated hereby and the performance of Buyer's obligations under the instruments required to be delivered by Buyer at the closing, do not and will not result in any material violation of, or material default under, any term or provision of any agreement, instrument, mortgage, loan agreement or similar document to which Buyer is a party or by which Buyer is bound.

(c) There is no litigation, investigation or proceeding pending or, to the best of Buyer's knowledge, contemplated or threatened against Buyer which would impair or

adversely affect Buyer's ability to perform its obligations under this Agreement or any other instrument or document related hereto.

SECTION 4.4 Survival/Limitations.

(a) Subject to subsection (b) below, the parties agree that Transferors' warranties and representations contained in Sections 4.1 (a) and (b) of this Agreement shall survive Buyer's purchase of the Properties and the Closing Date for a period ending 180 calendar days following the Closing Date (the "Limitation Period"). Such termination as of the close of the Limitation Period shall apply to known as well as unknown breaches of such warranties or representations. Subject to subsection (b) below, Buyer's waiver and release set forth in Section 2.4 shall apply fully to liabilities under such representations and warranties. Buyer specifically acknowledges that such termination of liability represents a material element of the consideration to Transferors.

(b) Any claim of Buyer based upon a breach of any representation or warranty or covenant or a claim under any indemnity contained in this Agreement or any representation, warranty, covenant or indemnity contained in any other document or instrument delivered by Transferors to Buyer at closing (collectively a "Breach") shall be expressed, if at all, in writing setting forth in reasonable detail the basis and character of the claim (a

"Claim Notice"), and, in the case of a Breach of Transferors' representations and warranties contained in this Agreement or a Breach of a covenant contained in Section 4.2 hereof only, shall be delivered to Transferors prior to the expiration of the Limitation Period. Notwithstanding the foregoing, Buyer's right to make and recover any claim pursuant to a Claim Notice shall be subject to the following: (i) any matters identified by Buyer during the Confirmation Period which would represent both a breach of representation and result in a Material Adverse Matters Amount shall be treated solely as the latter and shall not be the subject of any claim for breach of representation under this Article IV, (ii) with respect to a Breach of Transferors' representations and warranties contained in this Agreement, or a Breach of a covenant contained in Section 4.2 hereof or a Breach under an indemnity contained in the Assignments of Intangibles or the Assignments of Leases (as such terms are defined in Section 6.1(a) below), Buyer shall not make any claim on account of such Breach unless and until (A) the aggregate measure of such claims with respect to a Property exceeds $200,000, and (B) the aggregate measure of such claims with respect to all of the Properties exceeds $900,000 (the "Threshold"), in which event Buyer's claim shall be limited to an amount equal to (x) the amount by which such aggregate exceeds the Threshold, plus (y) an amount equal to two-thirds of the Threshold, (iii) Transferors' aggregate liability for claims arising out of all Breaches (i.e., those described in clause (ii) above as well as all other Breaches) shall not, in the aggregate, exceed an amount equal to three percent (3%) of the aggregate Price for all of the Properties acquired by Buyer exclusive of the amounts of any insurance proceeds actually received by Transferors which are to be applied to Claims pursuant to Section 2.4(e), and (iv) Buyer shall have the right to deliver to Transferors Claim Notices with respect to any Breach discovered by Buyer prior to the Closing Date solely if such notice is delivered prior to the Closing Date. Notwithstanding the foregoing, with respect to a Claim Notice asserting a breach of the representation contained in Section 4.1(b)(vii), the following shall be substituted for the provisions of clause (ii) of this Section 4.4(b): (ii) Buyer shall not make any claim on account of a breach of the representation and warranty contained in Section 4.1(b)(vii) with respect to any Property unless and until the aggregate measure of such claims with respect to all

Properties exceeds $50,000, and only to the extent that such aggregate exceeds $50,000. For purposes of this Section 4.4(b) (and without limiting the introductory paragraph of Section 4.1), a Breach shall be deemed to be discovered by Buyer prior to the Closing Date only to the extent that any of David Martin, Daniel Platt, Joseph Byrne, Scott Verges, John Waters, Jim Gaube or Guy Jacquier has actual, subjective knowledge of the facts or circumstances giving rise to such breach of representation or warranty or Section 4.2 covenants. Following receipt of such a pre-closing Claim Notice with respect to which Buyer has the right to make and recover a claim as aforesaid, Transferors may elect, by written notice to Buyer given not later than the first to occur of the date that is ten (10) business days following the date of the Claim Notice or the Closing Date, to terminate this Agreement as to the Property to which such pre-closing Claim Notice relates and such Property shall be treated as a Deleted Property and Buyer shall not be entitled to any damages in connection therewith. If Transferors fail to elect to treat any Property which is the subject of a pre-closing Claim Notice as a Deleted Property, the closing as to such Property shall be conducted on the Closing Date. As to pre-closing Claim Notices with respect to which Transferors do not elect to treat the affected Property as a Deleted Property and as to all Claim Notices received by Transferors following the Closing Date as to which Buyer has the right to make and recover a claim as aforesaid, Buyer shall have the right after (but not before) the Closing Date to proceed against Transferors for actual monetary damages based upon such Claim Notice -- subject to the cure rights set forth in subparagraph (c) below and the limitations set forth above and in the remaining sentences of this subparagraph. Notwithstanding anything to the contrary provided in this Agreement, in no event shall Transferors be liable to Buyer for any consequential or punitive damages based upon any breach of this Agreement, including breaches of representation or warranty. Subject to applicable principles of fraudulent conveyance, in no event shall Buyer seek satisfaction for any obligation from any shareholders, officers, directors, employees, agents, legal representatives, successors or assigns of such trustees or beneficiaries, nor shall any such person or entity have any personal liability for any such obligations of any Transferors.

(c) The Transferors who have committed a Breach for which a Claim Notice has been received shall have a period of 30 days within which to cure such breach, or, if such breach cannot reasonably be cured within 30 days, an additional reasonable time period of up to an additional 60 days, so long as such cure has been commenced within such 30 days and is at all times diligently pursued. If the Breach is not cured after actual written notice and within such cure period, Buyer's sole remedy shall be an action at law for damages against the breaching Transferor or Transferors, which must be commenced with respect to a Breach of a representation or warranty contained in this Agreement or a Breach

of a covenant contained in Section 4.2 hereof, if at all, within the Limitation Period; provided, however, that if within the Limitation Period Buyer gives a Claim Notice and the Transferors commence to cure and thereafter terminate such cure effort or fail in such cure effort, Buyer shall have an additional 30 days from the date of written notice from the Transferors of such termination or the expiration of such cure period within which to commence an action at law for damages as a consequence of the failure to cure. The existence or pendency of such cure rights shall not delay the Closing Date as to a Property not designated as a Deleted Property. The provisions of this Section 4.4 shall survive the closing or any termination of this Agreement.

ARTICLE 5
DEPOSIT; DEFAULT

SECTION 5.1 Buyer's Default & Deposit.

(a) Substantially concurrently with the execution and delivery of this Agreement, Buyer shall deliver to Title Company, for deposit into the escrow described in Section 6.1 below, cash in an amount equal to Eleven Million Dollars ($11,000,000) (the "Deposit"). In the event that this transaction is consummated as contemplated by this Agreement, then the entire amount of the Deposit, together with any interest accrued thereon, whether in cash or in the form of a Letter of Credit (as herein defined) shall be returned to Buyer and in no event shall the Deposit be credited against the Price. The entire amount of the Deposit (or the portion of the Deposit allocable to Properties with respect to which Transferors refuse to perform their material closing obligations), together with any interest accrued thereon, shall be returned immediately to Buyer in the event that the transaction fails to close due to termination of this Agreement pursuant to Section 5.2. IN THE EVENT THE TRANSACTION CONTEMPLATED BY THIS AGREEMENT SHOULD FAIL TO CLOSE AS A RESULT OF BUYER'S DEFAULT HEREUNDER, THE ENTIRE AMOUNT OF THE DEPOSIT, PLUS ACCRUED INTEREST, (AND TO THE EXTENT THE DEPOSIT IS IN THE FORM OF A LETTER OF CREDIT, TITLE COMPANY SHALL IMMEDIATELY MAKE DEMAND FOR THE PRINCIPAL AMOUNT OF THE LETTER OF CREDIT) SHALL BE PAID BY THE TITLE COMPANY TO TRANSFERORS AS LIQUIDATED DAMAGES (THE "LIQUIDATED AMOUNT"). BUYER AND TRANSFERORS HEREBY ACKNOWLEDGE AND AGREE THAT TRANSFERORS' DAMAGES IN THE EVENT OF SUCH A BREACH OF THIS AGREEMENT BY BUYER WOULD BE DIFFICULT OR IMPOSSIBLE TO DETERMINE, THAT THE AMOUNT OF THE DEPOSIT PLUS ACCRUED INTEREST IS THE PARTIES' BEST AND MOST ACCURATE ESTIMATE OF THE DAMAGES TRANSFERORS WOULD SUFFER IN THE EVENT THE TRANSACTION PROVIDED FOR IN THIS AGREEMENT FAILS TO CLOSE, AND THAT SUCH ESTIMATE IS REASONABLE UNDER THE CIRCUMSTANCES EXISTING ON THE DATE OF THIS AGREEMENT. BUYER AND TRANSFERORS AGREE THAT TRANSFERORS' RIGHT TO RETAIN THE DEPOSIT PLUS ACCRUED INTEREST SHALL BE THE SOLE REMEDY OF TRANSFERORS IN THE EVENT OF A BREACH OF THIS AGREEMENT BY BUYER.

ACCEPTED AND AGREED TO:

_____ _____
BUYER'S INITIALS TRANSFEROR'S INITIALS

This Section 5.1 is intended only to liquidate and limit Transferors' rights to damages arising due to Buyer's failure to purchase the Properties and shall not limit the indemnification or other obligations of (i) Buyer's constituent partners pursuant to the Confidentiality Agreement dated January 25, 1999 executed by Burnham Pacific Properties, Inc. for the benefit of Transferors (the "BP Confidentiality Agreement") and the Confidentiality Agreement dated January 25, 1999 executed by the State of California Public Employees' Retirement System ("Calpers") for the benefit of Transferors (the "Calpers Confidentiality Agreement;" which, together with the BP

Confidentiality Agreement, are collectively referred to as the "Confidentiality Agreements") or (ii) Buyer pursuant to (A) any other documents delivered pursuant to this Agreement or (B) Sections 2.4(b), 2.4(e), 7.2, 7.9 and 7.13 of this Agreement. In the event that any Property becomes a Deleted Property pursuant to the provisions of this Agreement, then Buyer shall have the right to cause Title Company to withdraw from the escrow and pay to Buyer (or to reduce any letter of credit, as applicable, by) an amount equal to the product of (x) the Deposit (and interest accruing thereon) and (y) the quotient expressed as a percentage, of the Allocated Price with respect to such Deleted Property and the total Price.

(b) In the event that Transferors are entitled to the Deposit

pursuant to Section 5.1 hereof, an amount equal to the lesser of (i) the Liquidated Amount or (ii) the sum of (A) the maximum amount that can be paid to Transferors without causing Transferors (or any of their constituent partners) to fail to meet the requirements of Sections 856(c)(2) and 856(c)(3) of the Code, determined as if the payment of such amount did not constitute income described in Section 856(c)(2)(A)-(H) and 856(c)(3)(A)-(I) of the Code ("Qualifying Income"), as determined by Transferors' accountants, plus (B) in the event Transferors receive either (x) a letter from Transferors' counsel prior to the Closing Date indicating that Transferors (or their constituent partners, as applicable) has received a ruling from the Internal Revenue Service (the "IRS") described in clauses (ii) or (iii) of the following paragraph, or (y) an opinion from Transferors' (or their constituent partners', as applicable) counsel as described in clause (iv) of the following paragraph, an amount equal to the Liquidated Amount less the amount payable under clause (A) above, and any balance of the Liquidated Amount (the "Balance") shall be retained by Title Company in escrow in accordance with the terms of an escrow (subject to the terms of the following paragraph) being otherwise agreed upon by Transferors and the escrow agent.

(c) The escrow agreement described in Section 5.1(b) shall provide that the amount in escrow or any portion thereof shall not be released to Transferors except to the extent the escrow agent receives any one or combination of the following: (i) a letter from Transferors' accountants indicating the maximum amount that can be paid by the escrow agent to Transferors without causing Transferors (or any of their constituent partners, as applicable) to fail to meet the requirements of Sections 856(c)(2) and 856(c)(3) of the Code, determined as if the payment of such amount did not constitute Qualifying Income, in which case the escrow agent shall release the amount indicated in such letter to Transferors, (ii) a letter from Transferors' (or any of their constituent partner's, as applicable) counsel indicating that Transferors (or any of its constituent partners, as applicable) received a ruling from the IRS holding that the receipt by Transferors (or any of their constituent partners, as applicable) of the Liquidated Amount would either constitute Qualifying Income or would be excluded from gross income within the meaning of Sections 856(c)(2) and 856(c)(3) of the Code, in which case the escrow agent shall release the Balance to Transferors, (iii) a letter from Transferors' (or any of their constituent partners' as applicable) counsel indicating that Transferors (or any of their constituent partners, as applicable) received a ruling from the IRS holding that the receipt by a Transferor (or its constituent partner, as applicable) of the Balance following the receipt of and pursuant to such ruling would not be deemed constructively received prior thereto or (iv) an opinion of a Transferor's (or its constituent partner's, as applicable) legal counsel to the effect that the receipt by a Transferor (or its constituent partner, as applicable) of the Liquidated Amount would either constitute Qualifying Income or would be excluded from gross income within the meaning of Sections 856(c)(2) and 856(c)(3) of the Code, in which case the escrow agent shall release the

Balance to Transferors. Buyer and Title Company agree to act reasonably and cooperate with Transferor in order (x) to maximize the portion of the Liquidated Amount that may be distributed to Transferors hereunder without causing a Transferor (or its constituent partner, as applicable) to fail to meet the requirements of Sections 856(c)(2) and 856(c)(3) of the Code or (y) to improve a Transferor's (or any of their constituent partner's, as applicable) chances of securing a favorable ruling described in this Section 5.1(c), provided that, except as otherwise provided in this Agreement, Buyer and Title Company shall not be required to incur any out-of-pocket costs in connection therewith. The escrow agreement shall also provide that any portion of the Liquidated Amount then held in escrow after the expiration of five (5) years from the date of the establishment of such escrow shall be released by the escrow agent to Buyer. Buyer shall not be a party (other than a contingent beneficiary as described above) to such escrow arrangements and shall not bear any cost of or have liability resulting from such escrow arrangements.

SECTION 5.2 Transferors' Default. If (a) the conditions precedent set forth in Section 3.1(b) shall have been satisfied or waived (provided that for purposes of this Section Buyer shall not be required to tender formally the Price but only demonstrate the commitment of immediately available funds to pay such Price) and (b) Transferors shall refuse to perform their material closing obligations under this Agreement (e.g., by refusing to convey a Property to Buyer at Closing), then Buyer's sole and exclusive remedy shall be either (i) to receive back the Deposit in the event Transferors refused to perform their material closing obligations with respect to all of the Properties (or the portion of the Deposit allocable to Properties with respect to which Transferors refuse to perform their material closing obligations) plus all accrued interest thereon or (ii) to pursue an action for specific performance on a Property by Property basis as to those Properties with respect to which Transferors refuse to perform their material closing obligations ; provided, that notwithstanding anything to the contrary contained herein, Buyer's right to pursue an action for

specific performance is expressly conditioned on Buyer not being in default or having defaulted in any material respect under any other material agreement in which Buyer or any of its constituent members and any of the Transferors is a party and which was entered into on or after March 1, 1999. Subject to the foregoing, Buyer acknowledges that Buyer's remedies for Transferor's failure to perform all of its material obligations under this Agreement with respect to the sale or exchange of a particular Property but less than all of the Properties shall be exclusively governed by the provisions of Section 3.2 above. Nothing contained in this Section 5.2 is intended to limit Buyer's rights under Sections 7.2, 7.9 and 7.13 of this Agreement.

SECTION 5.3 Solicitation; Negotiations.

(a) Unless and until this Agreement shall have been terminated in accordance with its terms, the Transferors agree and covenant that (i) neither Transferors nor any of their respective subsidiaries or affiliates nor AMB Property Corporation, a Maryland corporation, which is AMBLP's general partner (the "Company"), shall, and each of them shall direct and use their best efforts to cause their respective officers, directors, employees, agents and representatives (including, without limitation, any investment banker, attorney or accountant retained by it or any of its subsidiaries) not to, directly or indirectly, initiate, solicit or encourage any inquiries or the making or implementation of any proposal or offer with respect to a merger, acquisition, or similar transaction involving the direct or indirect purchase of the Properties (any such proposal or offer being hereinafter referred to as an "Acquisition Proposal") or engage in

any negotiations with, or provide any confidential information or data to, or have any discussions with, any person relating to, an Acquisition Proposal, or otherwise facilitate any effort or attempt to make or implement an Acquisition Proposal.

(b) Notwithstanding anything set forth in this Agreement to the contrary, the Board of Directors of the Company may furnish information to or enter into discussions or negotiations with any person that makes an unsolicited bona fide proposal to purchase all or a portion of the Properties having aggregate Allocated Price of at least eighty-five percent (85%) of the aggregate Price of all of the Properties, whether by merger, purchase of partnership interests or assets or otherwise (a "Proposal"), if the Board of Directors of the Company determines in good faith that the Proposal, if consummated as proposed, would result in a transaction more favorable to the Company's stockholders from a financial point of view than the transactions contemplated by this Agreement (any such Proposal being referred to herein as a "Superior Proposal"). If the Board of Directors of the Company is prepared to accept the Superior Proposal, then Transferors shall have the right to terminate this Agreement by giving Buyer 48 hours notice that the Board of Directors is prepared to accept the Superior Proposal, instructing the Title Company to return the Deposit to Buyer and in addition paying Buyer a termination fee in the amount of the then current Deposit (as increased or decreased from time to time pursuant to this Agreement) (excluding the amount of any remaining Deposit allocable to any Properties which were previously designated as Deleted Properties) (the "Termination Fee"). The return of the Deposit (and all interest accrued thereon) and the additional payment of the Termination Fee shall be Buyer's sole and exclusive remedy in the event of a termination pursuant to this Section 5.3

(c) In addition to the provisions set forth in Sections 5.3(a) and 5.3(b) hereof, nothing in this Agreement shall be deemed to prevent in any manner the taking of any action by the Company with respect to any merger, consolidation or sale of all or substantially all of the assets of the Company or any of the Transferors, in the event that the Board of Directors of the Company shall determine, based on advice of outside legal counsel, that the failure to take such action would be inconsistent with such Board of Directors' fiduciary duties to the Company's stockholders under applicable law. In the event that such action would be inconsistent with the transactions contemplated hereby, then Transferors shall have the right to terminate this Agreement by giving Buyer 48 hours notice that such Board of Directors is prepared to take such action, instructing the Title Company to return the Deposit to Buyer and in addition paying Buyer the Termination Fee. The return of the Deposit and the additional payment of the Termination Fee shall be Buyer's sole and exclusive remedy in the event of a termination pursuant to this Section 5.3.

(d) In the event that Transferors are obligated to pay Buyer the Termination Fee, Transferors shall pay to Buyer an amount equal to the lesser of (i) the Termination Fee or (ii) the sum of (A) the maximum amount that can be paid to Buyer without causing Buyer (or any of its members) to fail to meet the requirements of Sections 856(c)(2) and 856(c)(3) of the Code, determined as if the payment of such amount did not constitute income described in Section 856(c)(2)(A)-(H) and 856(c)(3)(A)-(I) of the Code ("Qualifying

Income"), as determined by Buyer's accountants, plus (B) in the event Buyer receives either (x) a letter from Buyer's counsel prior to the Closing Date indicating that Buyer (or its members, as applicable) has received a ruling from the Internal Revenue Service (the "IRS") described in clauses (ii) or (iii)

of the following paragraph, or (y) an opinion from Buyer's (or its member's, as applicable) counsel as described in clause (iv) of the following paragraph, an amount equal to the Termination Fee less the amount payable under clause (A) above, and any balance of the Termination Fee (the "Balance") shall be deposited by Transferors in escrow in accordance with the next succeeding sentence with the Title Company or other escrow agent selected by Buyer and reasonably acceptable to Transferors. Transferors shall deposit into such escrow an amount in immediately available federal funds equal to the Balance, with the terms of such escrow (subject to the terms of the following paragraph) being otherwise agreed upon by Buyer and the escrow agent. All payments by Transferors pursuant to this paragraph shall be made by wire transfer or bank check within thirty (30) days after demand by Buyer. Payment to Buyer of the amounts set forth in this Section 5.3(d) and, if applicable, deposit into escrow of the Balance, shall satisfy Transferors' obligations in full under the terms and conditions of this Section 5.3.

(e) The escrow agreement described in Section 5.3(d) shall provide that the amount in escrow or any portion thereof shall not be released to Buyer except to the extent the escrow agent receives any one or combination of the following: (i) a letter from Buyer's accountants indicating the maximum amount that can be paid by the escrow agent to Buyer without causing Buyer (or its member, as applicable) to fail to meet the requirements of Sections 856(c)(2) and 856(c)(3) of the Code, determined as if the payment of such amount did not constitute Qualifying Income, in which case the escrow agent shall release the amount indicated in such letter to Buyer, (ii) a letter from Buyer's (or its member's, as applicable) counsel indicating that Buyer (or its member, as applicable) received a ruling from the IRS holding that the receipt by Buyer (or its member, as applicable) of the Termination Fee would either constitute Qualifying Income or would be excluded from gross income within the meaning of Sections 856(c)(2) and 856(c)(3) of the Code, in which case the escrow agent shall release the Balance to Buyer, (iii) a letter from Buyer's (or its member's, as applicable) counsel indicating that Buyer (or its member, as applicable) received a ruling from the IRS holding that the receipt by Buyer (or its member, as applicable) of the Balance following the receipt of and pursuant to such ruling would not be deemed constructively received prior thereto or (iv) an opinion of Buyer's (or its member's, as applicable) legal counsel to the effect that the receipt by Buyer (or its member, as applicable) of the Termination Fee would either constitute Qualifying Income or would be excluded from gross income within the meaning of Sections 856(c)(2) and 856(c)(3) of the Code, in which case the escrow agent shall release the Balance to Buyer. Transferors agree to act reasonably and cooperate with Buyer in order (x) to maximize the portion of the Termination Fee that may be distributed to Buyer hereunder without causing Buyer (or its member, as applicable) to fail to meet the requirements of Sections 856(c)(2) and 856(c)(3) of the Code or (y) to improve Buyer's (or its member's, as applicable) chances of securing a favorable ruling described in this Section 5.3(e), provided that Transferors shall not be required to incur any out-of-pocket costs in connection therewith. The escrow agreement shall also provide that any portion of the Termination Fee then held in escrow after the expiration of five (5) years from the date of the establishment of such escrow shall be released by the escrow agent to Transferors. Transferors shall not be a party (other than a contingent beneficiary as described above) to such escrow arrangements and shall not bear any cost of or have liability resulting from such escrow arrangements.

SECTION 5.4 Letter of Credit. In lieu of depositing the Deposit in cash pursuant to this Agreement, or after depositing the Deposit in cash, in substitution for all or any portion of the

cash Deposit, Buyer may deliver to Title Company an unconditional and irrevocable letter of credit in favor of Title Company, in form reasonably satisfactory to Transferors and Title Company, drawn upon a state or national bank reasonably approved by Transferors and Title Company, which letter of credit shall (i) expire no earlier than fifteen (15) days after the scheduled Closing Date (as such date may be changed with respect to all of the Properties or a particular Property pursuant to this Agreement), (ii) be capable of being drawn on by Title Company upon demand (subject to customary draw procedures and requirements) and (iii) otherwise be in form and substance reasonably satisfactory to Transferors and Title Company (the "Letter of Credit"). The

Letter of Credit shall secure the faithful performance and observance by Buyer of the terms, provisions, and conditions of this Agreement in the same manner and to the same extent as the Deposit. The Letter of Credit shall be held and disbursed by Title Company in the same manner as the Deposit, except that:

(a) if the term of the Letter of Credit will expire prior to the then scheduled Closing Date (as such date may be changed with respect to all of the Properties or a particular Property pursuant to this Agreement), and such Letter of Credit is not extended or a new Letter of Credit for an extended period of time is not substituted within five (5) business days prior to the expiration date of the Letter of Credit, then Title Company shall make demand for the principal amount of the Letter of Credit prior to the expiration date of the Letter of Credit and hold such funds in the same manner as the Deposit pursuant to this Agreement;

(b) if Title Company continues to hold the Letter of Credit at closing and the closing occurs as contemplated by this Agreement, subject to (c) below such Letter of Credit shall be returned to Buyer at closing; and

(c) in any instance in which a portion of the Deposit is to be returned to Buyer pursuant to this Agreement or in which a closing occurs and subsequent closings are contemplated due to the deferral of the closing with respect to one or more of the Properties and in order to do so the amount of the Letter of Credit would have to be reduced, the Title Company shall continue to hold the Letter of Credit in the manner set forth in and subject to the provisions of this Section 5.4 until Buyer has provided a substitute Letter of Credit in the amount of the Deposit as so reduced.

ARTICLE 6
CLOSING

SECTION 6.1 Escrow Arrangements. One or more escrows (to the extent more than one escrow is necessary to accommodate Transferors' 1031 Exchange(s)) for the purchase and sale contemplated by this Agreement shall be opened by Buyer and Transferors with Title Company. At least one business day prior to the Closing Date, Transferors and Buyer shall each deliver escrow instructions to Title Company consistent with this Article VI, and designating Title Company as the "Reporting Person" for the transaction pursuant to Section 6045(e) of the Code. By signing below, Title Company agrees to act as the "Reporting Person" for the transaction pursuant to Section 6045(e) of the Code and to complete and file with the IRS Forms 1099-S (and furnish Buyer and Transferors with copies thereof) on or before the due date therefor. In addition, the parties shall deposit in escrow, at least one business day prior to the Closing Date (unless otherwise provided below in this Section 6.1) the funds and documents described below:

(a) Transferors shall deposit (or cause to be deposited):

(i) a duly executed and acknowledged deed pertaining to the Real Property portion of each of the Properties, each in the form attached to this Agreement as Exhibit I-A (collectively, the "Deeds");

(ii) a duly executed bill of sale pertaining to the Personal Property portion of each of the Properties, each in the form attached to this Agreement as Exhibit I-B (collectively, the "Bills of Sale");

(iii) a duly executed counterpart assignment and assumption pertaining to the Intangible Property portion of each of the Properties, each in the form attached to this Agreement as Exhibit I-C (collectively, the "Assignments of Intangibles");

(iv) a duly executed counterpart assignment and assumption pertaining to the Leases, each in the form attached to this Agreement as Exhibit I-D (collectively, the "Assignments of Leases");

(v) a certificate from each Transferors certifying the information required by any of the states in which any of the Properties are located to establish that the transaction contemplated by this Agreement is exempt from the tax withholding requirements of such states (the "State Certificates");

(vi) a certificate from each Transferors certifying the information required by 1445 of the Code to establish, for the purposes of avoiding Buyer's tax withholding obligations, that Transferors is not a "foreign person" as defined in 1445(f)(3) of the Code (the "FIRPTA Certificate");

(vii) a letter executed by each respective Transferors and, if applicable, its respective management agent and the Buyer, in form and

substance satisfactory to Buyer, addressed to all tenants of each respective Property, notifying all such tenants of the transfer of ownership of the Property and directing payment of all rents accruing after the Closing Date to be made to Buyer or such other party as Buyer directs (the "Tenant Notices");

(viii) to the extent not previously delivered to Buyer and in Buyer's possession or under its control, originals of any of the Contracts, Leases, licenses, approvals, plans, specifications, warranties, other Intangible Property and other books and records relating to the ownership and operation of the Property (or if the original is not in the Transferors' possession or control, copies thereof to the extent in Transferors' possession or control);

(ix) an updated Rent Roll for each Property in the same format as was used for the Rent Rolls attached hereto as Exhibit E or in such other format as is reasonably acceptable to Buyer dated no later than five (5) days prior to closing, which updated Rent Roll will be used solely for the purpose of (i) identifying all Leases at such Property as of the applicable Closing Date and (ii) allowing the Title Company to issue Buyer's title insurance policies subject to no exception for parties in possession other than the Leases identified in the Rent Roll;

(x) subject to the provisions of Section 2.6, such affidavits as may be reasonably and customarily required by the Title Company to issue the Title Policies in the form required hereby (including, without limitation, without exception for parties-in-possession (other than tenants under the Leases) or mechanics' or materialmen's liens which are to be satisfied by Transferors pursuant to Section 2.6);

(xi) the Remediation and Access Agreement (as herein defined); and

(xii) evidence reasonably satisfactory to the Title Company as to the legal existence and authority of the Transferors and the authority and incumbency of the persons signing documents on behalf of the Transferors.

In addition, Transferors shall deliver to Buyer on the Closing Date, outside of escrow, to the extent in Transferor's possession or control, the originals of all Leases, Contracts and tenant files and all keys to the Properties.

(b) Buyer shall deposit:

(i) on or prior to the close of business on the business day immediately prior to the Closing Date, immediately available funds sufficient to pay the balance of the Price, plus sufficient additional cash to pay Buyer's share of all escrow costs and closing expenses;

(ii) a duly executed counterpart for each of the Assignments of Intangibles, Assignments of Leases and Remediation and Access Agreement (and Tenant Notices where required);

(iii) a certificate duly executed by Buyer in favor of Transferors confirming the waivers and acknowledgments set forth in Sections 2.5 and 4.4 above; and

(iv) evidence reasonably satisfactory to Title Company as to the legal existence and authority of the Buyer and the authority and incumbency of the persons signing documents on behalf of the Buyer.

SECTION 6.2 Title. Title Company shall close escrow on the Closing Date by:

(a) recording the Deeds;

(b) issuing the owner's title policies to Buyer pursuant to Section 3.1(a)(i) above;

(c) delivering to Buyer originals of the Bills of Sale, the FIRPTA Certificate, the State Certificates, executed counterparts of each of the Assignments of Intangibles, Assignments of Leases and Remediation and Access Agreement and all of the other documents in escrow under Section 6.1(a);

(d) delivering to Transferors (or the exchange facilitator(s), as applicable) (i) a counterpart for each of the Assignments of Intangibles, the Assignments of Leases and the

Remediation and Access Agreement executed by Buyer, (ii) the certificate described in Section 6.1(b)(iii) above, (iii) funds in the amount of the Sale Purchase Price, as adjusted for credits, adjustments, prorations and closing costs in accordance with Section 2.3 and this Article VI and as allocated pursuant to the direction of the Transferors (upon which allocation Buyer and Title Company shall have the right to conclusively rely) and (iv) funds in the amount of the Exchange Price, as adjusted for credits, adjustments, prorations and closing costs in accordance with Section 2.3 and this Article VI and as allocated pursuant to the direction of the Transferors (upon which allocation Buyer and Title Company shall have the right to conclusively rely); and

(e) if directed by the parties, delivering the Tenant Notices to the tenants by certified mail, return receipt requested.

SECTION 6.3 Prorations.

(a) Taxes. Real estate taxes, personal property taxes and any general or special assessments with respect to the Properties which are not the direct payment obligation of tenants pursuant to the Leases (as opposed to a reimbursement obligation) shall be prorated as of the Closing Date -- to the end that Transferors shall be responsible for all taxes and assessments that are allocable to any period prior to the Closing Date and Buyer shall be responsible for all taxes and assessments that are allocable to any period from and after the Closing Date. Notwithstanding anything to the contrary contained herein, in regards to Real Property located in the States of Illinois and Colorado, (A) general real estate taxes which are not the direct or indirect (as a reimbursement obligation) payment obligations of tenants pursuant to the Leases and which are payable for the tax year prior to the tax year in which the closing occurs and all prior years shall be paid by Transferors (including any installments thereof payable after the Closing Date) and (B) general real estate taxes which are not the direct or indirect (as a reimbursement obligation) payment obligations of tenants pursuant to the Leases and which are payable for the tax year in which the closing occurs shall be prorated by Transferors and Buyer as of the Closing Date. If the actual amount of taxes, assessments or other amounts to be prorated for the year in which the closing occurs (and, with respect to Real Property located in Illinois and Colorado, for the tax year prior to the tax year in which the closing occurs) is not known as of the Closing Date, the proration shall be based on the parties' reasonable estimates of such taxes, assessments and other amounts. To the extent any real or personal property taxes subject to apportionment in accordance with the foregoing are, as of the Closing Date, the subject of any appeal filed by or on behalf of Transferors, then notwithstanding anything to the contrary contained in this subparagraph, (i) no apportionment of the taxes being appealed shall occur at the closing, but instead such apportionment shall be deferred until the outcome of the appeal is final and the amount of taxes owing becomes fixed at which time Transferors shall be responsible for all such taxes that are allocable to any period prior to the Closing Date and Buyer shall be responsible for all such taxes that are allocable to any period from and after the Closing Date, and (ii) Transferors shall provide Buyer with adequate security, either in the form of a bond or by escrowing the amounts being appealed, to assure Buyer that Transferors' portion of such tax liability, including any penalty, will be available. To the extent any taxes which are the subject of an appeal have been paid by Transferors under protest and the appeal results in Buyer receiving a credit toward future tax liability or a refund, then Buyer shall, within thirty (30) days following receipt of such refund or notice of such credit, pay to Transferors the full amount of such refund or credit allocable to the period prior to the Closing Date, excluding, however, any

portion of such refund or credit that is required to be passed through to the tenants pursuant to any Leases or to other parties by existing contract.

(b) Prepaid Expenses. Buyer shall be charged for those prepaid expenses paid by Transferors directly or indirectly allocable to any period from and after the Closing Date, including, without limitation, annual permit and confirmation fees, fees for licenses and all security or other deposits paid by Transferors to third parties which Buyer elects to assume and to which Buyer then shall be entitled to the benefits and refund following the Closing Date.

(c) Property Income and Expense. The following prorations and adjustments shall occur as of the closing. Prior to the Closing Date, Transferors shall provide all information to Buyer required to calculate such prorations and adjustments and representatives of Buyer and Transferors shall together make such calculations:

(i) General. Subject to the specific provisions of clauses (ii), (iii) and (iv) below, income and expense shall be prorated on the basis of a 30-day month and on a cash basis (except for items of income and expense that

are payable less frequently than monthly, which shall be prorated on an accrual basis). All such items attributable to the period prior to the Closing Date shall be credited to Transferors; all such items attributable to the period on and following the Closing Date shall be credited to Buyer. Buyer shall be credited in escrow with (a) any portion of rental agreement or lease deposits which are refundable to the tenants and have not been applied to outstanding tenant obligations in accordance with the terms of the applicable Lease and (b) rent prepaid beyond the Closing Date. Transferors shall transfer Transferors entire interest in any letters of credit or certificates of deposit held by Transferors as the deposits described in clause (a) above and shall diligently cooperate with Buyer in obtaining any reissuance or confirmation of the effect of the transfer of such instruments. Buyer shall not be entitled to any interest on rental agreement or lease deposits or prepaid rent accrued on or before the Closing Date, except to the extent any such amount of interest is refundable or payable to any tenant under a Lease or applicable law. Transferors shall be credited in escrow with any refundable deposits or bonds held by any utility, governmental agency or service contractor, to the extent such deposits or bonds are assigned to Buyer on the Closing Date.

(ii) Leasing Costs. Subject to the provisions of Section 6.9 below, Buyer shall be credited in escrow with any leasing commissions, tenant improvements or other allowances to be paid by Buyer on or after the Closing Date with respect to the current term of any Lease or Lease modification executed, or any extension term or expansion of premises exercised, in each case, on or before March 1, 1999, and Transferors shall pay on or before the Closing Date all such items payable prior to the Closing Date. Notwithstanding the provisions of the immediately following sentence, with respect to any new Leases or Lease modifications executed after March 1, 1999 with respect to any of the space identified on Exhibit S attached hereto which are permitted under the terms of this Agreement ("Vacant Space"), Transferors shall be credited in escrow with the amount of any leasing commissions, tenant improvements or other allowances paid by Transferors after March 1, 1999. Buyer shall receive a credit at closing against the Price in the amount of $7.00 per square foot of Vacant Space, whether or not such space is leased prior to closing. With respect to any space which is not Vacant Space, subject to Section 6.9 Transferors shall be credited in escrow with an amount equal to (A) the amount of any leasing commissions, tenant improvement and other allowances paid by Transferors after

March 1, 1999 to the extent such items relate to new Leases or Lease modifications executed or extensions of terms or expansions of premises that are exercised after March 1, 1999 and permitted under the terms of this Agreement, multiplied by (B) a fraction in which the numerator is the number of months or partial months of the stabilized term (i.e., the term following the tenant's entry into occupancy and commencement of unabated rental obligations) of any such Lease following the Closing Date and the denominator is the number of months or partial months in the stabilized term of such Lease. Buyer shall assume all obligations for any leasing commissions, tenant improvement or other allowances payable following the Closing Date with respect to Leases or Lease modifications executed or extensions of terms or expansions of premises that are exercised following March 1, 1999 and which are permitted under the terms of this Agreement; provided, that as to any such leasing commissions not disclosed to Buyer in the Disclosure Materials List & Statement or the Disclosure Materials or approved or deemed approved by Buyer pursuant to this Agreement or which are not expressly assumed by Buyer under any other provision of this Agreement, Buyer shall only be obligated to pay the market rate commission for the applicable Lease (and Transferors shall remain responsible for any above market component of such commission). Any expenditures or commitments to expenditures relating to Leases or modifications or extensions of terms or expansions of premises executed following March 1, 1999 in excess of the amounts budgeted and approved as part of Buyer's approval of the Lease (where such approval is required) shall be subject to Buyer's specific approval, which shall not be unreasonably withheld and shall be deemed given if Buyer should fail to approve or disapprove such excess expenditure within 5 business days following Transferors' written request and delivery of material information reasonably necessary to allow Buyer to make an informed decision.

(iii) Rents. Rents payable by tenants under the Leases, shall be prorated as and when collected (whether such collection occurs prior to, on, or after the Closing Date). Buyer shall receive a credit for the amounts actually received before the Closing Date and which pertain to any period after the Closing Date. Buyer shall not receive a credit at the closing for any rents for the month in which the closing occurs which are in arrears and have not then been received. As to any tenants who are delinquent in the payment of rent on the Closing Date, Buyer shall use reasonable efforts (but shall not be required to commence legal action or terminate or evict a tenant) to collect or cause to be collected such delinquent rents following the Closing Date. Any and all rents so collected by Buyer following the closing (less a deduction for all reasonable collection costs and expenses incurred by Buyer) shall be successively applied (after deduction for Buyer's reasonable collection costs) to the payment of (x)

rent due and payable in the month in which the closing occurs, (y) rent due and payable in the months succeeding the month in which the closing occurs (through and including the month in which payment is made) and (z) rent due and payable in the months preceding the month in which the closing occurs. If all or part of any rents or other charges received by Buyer following the closing are allocable to Transferors pursuant to the foregoing sentence, then such sums shall be promptly paid to Transferors. Transferors reserve the right to pursue any damages remedy Transferors may have against any tenant with respect to such delinquent rents, but shall have no right to exercise any other remedy under the Lease (including, without limitation, termination or eviction).

(iv) Additional Rents. Any percentage rent, escalation charges for real estate taxes, parking charges, operating and maintenance expenses, escalation rents or charges,

electricity charges, cost of living increases or any other charges of a similar nature other than fixed or base rent under the Leases (collectively, the "Additional Rents") shall be prorated as of the Closing Date between Buyer and Transferors on or before the date which is ninety (90) days following the end of the calendar year in which the closing occurs based on the actual number of days of the year and month which shall have elapsed as of the Closing Date. Prior to the end of the calendar year in which the closing occurs, Transferors shall provide Buyer with information regarding Additional Rents which were received by Transferors prior to closing and the amount of reimbursable expenses paid by Transferors prior to closing. On or before the date which is sixty (60) days following the end of the calendar year in which the closing occurs, Buyer shall deliver to Transferors a reconciliation of all expenses reimbursable by tenants under the Leases, and the amount of Additional Rents received by Transferors and Buyer relating thereto (the "Reconciliation"). Upon reasonable notice and during normal business hours, each party shall make available to the other all information reasonably required to confirm the Reconciliation. In the event of any overpayment of Additional Rents by the tenants to Transferors, Transferors shall promptly, but in no event later than fifteen (15) days after receipt of the Reconciliation, pay to Buyer the amount of such overpayment and Buyer, as the landlord under the particular Leases, shall pay or credit to each applicable tenant the amount of such overpayment. In the event of an underpayment of Additional Rents by the tenants to Transferors, Buyer shall pay to Transferors the amount of such underpayment within fifteen (15) days following Buyer's receipt of any such amounts from the tenants.

(d) Adjustments to Prorations. Subject to Section 6.3(a) and 6.3(c)(iv) above, after the closing, the parties shall from time to time, as soon as is practicable after accurate information becomes available and in any event within 180 days following the Closing Date, recalculate and reapportion any of the items subject to proration or apportionment (i) which were not prorated and apportioned at the closing because of the unavailability of the information necessary to compute such proration, or (ii) which were prorated or apportioned at the closing based upon estimated or incomplete information, or (iii) for which any errors or omissions in computing prorations at the closing are discovered subsequent thereto, and thereafter the proper party shall be reimbursed based on the results of such recalculation and reapportionment. Unless otherwise specified herein, all such reimbursements shall be made on or before thirty (30) days after receipt of notice of the amount due. Any such reimbursements not timely paid shall bear interest at a per annum rate equal to ten percent (10%) from the due date until all such unpaid sums together with all interest accrued thereon is paid if payment is not made within ten (10) days after receipt of a bill therefor.

(e) Prior Year's Reconciliation. If the closing occurs before Transferors have performed the annual reconciliation of Additional Rent for the calendar year immediately preceding the calendar year in which the closing occurs, then Transferors shall, as soon as practicable after closing, perform such reconciliation at its sole cost and expense. Upon completion of such annual reconciliation, Transferors shall immediately deliver to Buyer a detailed description of any Additional Rent which are payable by or reimbursable to any present tenant (the "Prior Year Reconciliation"). The Prior Year Reconciliation shall be accompanied by all applicable back-up documentation, together with Transferors' check for such Additional Rent which is reimbursable to a tenant. Based upon Transferors' calculations, Buyer shall send customary statements for reimbursement of Additional Rent to tenants under the Leases based on the Prior Year Reconciliation, and shall remit to Transferors within thirty (30) days of receipt, all

sums so collected. If Transferors' calculations show that Additional Rent has been overpaid by any present tenant and Transferors have submitted its check to Buyer for such amounts, Buyer shall refund such Additional Rent to such tenant.

(f) Survival. The provisions of this Section 6.3 shall survive the closing.

SECTION 6.4 Other Closing Costs.

(a) The premium payable in connection with the issuance of the Title Policies, governmental documentary transfer or transaction taxes or fees due on the transfer of the Properties, recording costs, and, except as otherwise provided below, other closing costs shall be paid by Transferors and Buyer according to custom in the county in which the applicable Property is located as set forth on Exhibit D attached hereto.

(b) Transferors shall pay 50% of any escrow or other costs charged by or reimbursable to the Title Company; provided, however that additional costs to create multiple escrows to accommodate 1031 Exchanges shall be borne by the party requesting such multiple escrows.

(c) Buyer shall pay 50% of any escrow or other costs charged by or reimbursable to the Title Company; provided, however that additional costs to create multiple escrows to accommodate 1031 Exchanges shall be borne by the party requesting such multiple escrows.

SECTION 6.5 Further Documentation. At or following the close of escrow, Buyer and Transferors shall execute any certificate, memoranda, assignment or other instruments required by this Agreement, law or local custom or otherwise reasonably requested by the other party to effect the transactions contemplated by this Agreement and shall take such other actions (but at no material cost or expense) as are reasonably requested by the other party to effect the transactions contemplated by this Agreement.

SECTION 6.6 Cooperation in Exchange. The parties acknowledge and agree that Exchangors have elected (with respect to the Exchange Properties) and Buyer may elect (with respect to the Properties) to assign their interest in this Agreement to an exchange facilitator by means of one or more escrows for the purpose of completing an exchange of such Properties or interests in such Properties in a transaction which will qualify for treatment as a tax deferred exchange pursuant to the provisions of Section 1031 of the Internal Revenue Code of 1986 and applicable state revenue and taxation code sections (a "1031 Exchange"). Each party agrees to reasonably cooperate with any party so electing in implementing any such assignment and 1031 Exchange, provided that such cooperation shall not entail any material additional expense to the non-electing party, cause such party to take title to any other property or cause such party exposure to any liability or loss of rights or benefits contemplated by this Agreement, and the electing party shall indemnify, defend and hold the non-electing party harmless from any liability, damage, loss, cost or other expense including, without limitation, reasonable attorneys' fees and costs, resulting or arising from the implementation of any such assignment and 1031 Exchange. No such assignment by any party shall relieve such party from any of its obligations

hereunder, nor shall such party's ability to consummate a tax deferred exchange be a condition to the performance of such party's obligations under this Agreement.

SECTION 6.7 Environmental Matters.

(a) Buyer and Transferors acknowledge and agree that Transferors shall transfer and assign to Buyer at the closing (to the extent assignable), as part of the Intangible Property, Transferors' rights and interests in and to any indemnifications or covenants from third parties (other than any rights of Transferors under any of Transferors' environmental insurance policies, which rights are expressly not assigned to Buyer under this Agreement) relating to the environmental condition of the Properties (reserving solely Transferors' rights to the benefit of such indemnifications and covenants protecting Transferors with respect to Transferors' ownership of the Properties), including, without limitation, those indemnity agreements shown on Exhibit O. Following the closing, Buyer and Transferors shall cooperate in the pursuit of any and all claims arising under such instruments, which cooperation shall include, as required, Transferors' expression and pursuit of claims for the benefit of Buyer -- provided that such pursuit is at Buyer's sole cost and expense and does not expose Transferors to additional liability.

(b) With respect to the Property described on Exhibit U-1, Transferors shall use reasonable efforts to obtain on or before closing (but without any liability whatsoever if they are unable to do so except as set forth

below), a no further action letter (which letter shall be permitted to contain customary qualifications and exclusions, such as a right of the lead regulatory agency to reopen its investigation based on additional information, and may be a risk based no further action letter) from the lead regulatory agency in connection with the known contamination located on such Property as more particularly described on Exhibit U-1 (an "NFA letter"). If Transferors are not able to deliver to Buyer an NFA Letter with respect to any such Property on or before the closing, then Transferors shall execute and deliver to Buyer at closing with respect to any such Property as to which no NFA Letter has been obtained, a remediation and access agreement in the form attached as Exhibit U-2 (the "Remediation and Access Agreement").

SECTION 6.8 Environmental Insurance Deductibles. The parties hereto acknowledge that Buyer intends to obtain environmental insurance ("Environmental Insurance") for the Properties listed on Exhibit Q attached hereto (the "Insured Properties"). If a loss occurs under the Environmental Insurance and to the extent such loss is a result of environmental contamination or a release of Hazardous Materials determined to have been present or to have occurred at an Insured Property on or before the Closing Date (a "Loss"), then Transferors shall reimburse to Buyer eighty percent (80%) of any amounts actually incurred by Buyer with respect to such Loss (as substantiated by written invoices or other evidence reasonably satisfactory to Transferors) as a result of the application of the deductible under the Environmental Insurance for such Insured Property, but in no event shall Transferors' liability exceed eighty thousand dollars ($80,000) in the aggregate with respect to all Losses at any one Insured Property. Buyer agrees not to take any affirmative actions which would or could reasonably be expected to result in a Loss, such as performing a Phase II environmental assessment, unless required to do so in writing by a lender, rating agency, new material equity investor, a governmental authority or tenant (but with respect to any of the foregoing persons, only after Buyer has used commercially

reasonable efforts to find a suitable alternative to taking any such affirmative actions, such as naming such party as an additional insured under Buyer's environmental insurance policy or providing such party with an environmental indemnity) or based on a reasonable belief that a release of Hazardous Materials (other than with respect to a matter disclosed in the environmental reports included in the Disclosure Materials) has occurred (provided, that the mere existence of a dry cleaner at the Property is not in and of itself sufficient to constitute such a "reasonable belief"), and in any event will not do so without providing Transferors at least ten (10) days prior written notice to review the scope of such action; provided, that the foregoing prohibition on Buyer taking affirmative actions shall not apply with respect to a Property from and after the two (2) year anniversary of the Closing Date for such Property. The obligation of Transferors to reimburse Buyer under this Section 6.8 shall apply only to Losses for a particular Property as to which Transferors receive written notice from Buyer on or before the two (2) year anniversary of the Closing Date for such Property.

SECTION 6.9 Completion Events.

(a) With respect to the Property described on Exhibit R attached hereto, on or before the closing, Transferors shall trigger Carl's Junior's right to exercise its purchase option and concurrently therewith Transferors shall use commercially reasonable efforts, but at no out of pocket cost to Transferors, to either (i) cause the Title Company to insure over any exception for Carl's Junior's purchase option to acquire such Property pursuant to an endorsement or other affirmative coverage in form reasonably satisfactory to Buyer or (ii) obtain a waiver of such right from Carl's Junior in form reasonably acceptable to the Buyer. If, by the closing, Transferors are unable to obtain either (i) or (ii) or Carl's Junior exercises its purchase option and closes on such purchase, then such Property shall be treated as a Deleted Property; provided, that if Carl's Junior has not exercised its purchase option and closed on such purchase, Transferors shall be entitled to defer the closing for such Property for a period of up to one (1) year to allow Transferors to deliver title to such Property unencumbered by such purchase option, in which event (i) the Price payable on the Closing Date applicable to all other Properties shall be reduced by the Allocated Price of such Property, and (ii) an amount equal to five percent (5%) of the Allocated Price for such Property shall be retained by Title Company as a continuing Deposit subject to disposition in accordance with Section 5.1 above as to such Property.

(b) General Provisions. All work performed by Transferors under this Section 6.9 shall be performed in a good and workmanlike manner substantially in accordance with all applicable laws. Nothing in this Section 6.9 is intended to limit or expand Buyer's approval rights contained in Section 4.2(c) or (d).

SECTION 6.10 Transferors' Covenant of Cooperation. Transferors hereby

agree to reasonably cooperate with Buyer or Buyer's auditors, at no expense, liability or substantial accounting time to Transferors, prior to and after the closing (but subject to the provisions of Section 2.4) (i) by providing financial data pertaining to the Properties to the extent required by the Securities and Exchange Commission ("SEC") or reasonably required to prepare filings that Buyer intends to file with the SEC, including (to the extent so required) the documentation requested on Exhibit T-1 (but without duplication of any of the documents listed in the Disclosure Material List & Statement or contained in the Disclosure Materials so long as continued access is provided to such documents as were not delivered to Buyer) as it relates to

the one (1) year period immediately preceding the closing, and (ii) in delivering to Buyer's auditors a certificate in the form of Exhibit T-2. Transferors shall provide such documentation and deliver such certificate in each instance within ten (10) business days after receipt of Buyer's reasonable request to do so. Without limiting Transferors' representations and warranties contained in this Agreement or Transferors' covenants contained in Section 4.2 or in any document executed and delivered to Buyer by Transferors at closing, Buyer shall indemnify and hold Transferors harmless from and against any and all claims, liabilities, losses, damages, causes of action, costs and expenses (including, without limitation, reasonable attorneys' fees and costs) to the extent relating to or arising out of Transferors' performance of its obligations under this Section 6.10, including, without limitation, any claims arising out of the reliance by third parties, including Buyer's auditors, on information provided by Transferors under this Section 6.10. The provisions of this Section 6.10 shall survive the closing

SECTION 6.11 UCC Financing Statements. If Buyer provides evidence during the Confirmation Period of any UCC Financing Statements naming a Transferor or any of its affiliates as debtor and encumbering a Property (whether in connection with mortgages, deeds of trust or personal property financings which are not assumed by Buyer), then Transferors shall use reasonable efforts to cause the release of such UCC Financing Statements as soon as practicable after the closing.

ARTICLE 7
MISCELLANEOUS

SECTION 7.1 Damage or Destruction.

(a) Buyer shall be bound to purchase each of the Properties as required by the terms of this Agreement without regard to the occurrence or effect of any damage to or destruction of any of the Properties or condemnation of any Property by right of eminent domain, provided that the occurrence of any damage or destruction involves repair costs of less than the greater of $1,000,000 or ten percent (10%) of the Property's Allocated Price, and any condemnation does not materially affect the use or value of the affected Property. If Buyer is so bound to purchase a Property notwithstanding the occurrence of damage, destruction or condemnation, or if Buyer fails to elect to treat the applicable Property as a Deleted Property pursuant to Section 7.1(b) below then upon the closing: (i) in the event of damage covered by insurance or an immaterial condemnation, Buyer shall receive a credit against the Allocated Price for such Property in the amount (net of collection costs and costs of repair reasonably incurred by Transferors and not then reimbursed) of any insurance proceeds or condemnation award collected and retained by Transferors as a result of any such damage or destruction or condemnation plus (in the case of damage) the amount of the deductible portion of Transferors' insurance policy, and Transferors shall assign to Buyer all rights to such net insurance proceeds or condemnation awards as shall not have been collected prior to the close of escrow; and (ii) in the event of damage not covered by insurance, Buyer shall receive a credit (not to exceed the greater of $1,000,000 or ten percent (10%) of the Property's Allocated Price for each affected Property) in the amount of the estimated cost to repair the damage.

(b) If, prior to the Closing Date, any Property suffers damage or destruction that involves repair costs in excess of the greater of $1,000,000 or ten percent (10%) of the

Property's Allocated Price or condemnation which affects the use or value of the Property in other than a minor and immaterial manner, then Buyer may elect to treat such Property as a Deleted Property by giving written notice of such election to Transferors promptly following Buyer's knowledge of the event and

extent of damage, destruction or condemnation. In the event of the deletion of any Property pursuant to this Section 7.1(b), the parties shall be bound to consummate the purchase and sale of the balance of the Properties in accordance with this Agreement and the Price shall be reduced by an amount equal to the Allocated Price of the Deleted Property.

SECTION 7.2 Fees & Commissions.

(a) Each party to this Agreement warrants to the other that, except as otherwise provided in subparagraph (b) below, no person or entity can properly claim a right to a real estate or investment banker's commission, finder's fee, acquisition fee or other brokerage-type compensation (collectively, "Real Estate Compensation") based upon the acts of that party with respect to the transaction contemplated by this Agreement. Each party hereby agrees to indemnify and defend the other against and to hold the other harmless from any and all loss, cost, liability or expense (including but not limited to attorneys' fees and returned commissions) resulting from any claim for Real Estate Compensation by any person or entity based upon such acts.

(b) The parties hereby acknowledge that Morgan Stanley Dean Witter has acted as Transferors' investment bankers in connection with this transaction. Transferors shall be responsible for paying any commission or fees due to such parties in connection with this transaction.

SECTION 7.3 Successors and Assigns. Buyer may not assign any of Buyer's rights or duties hereunder without the prior written consent of Transferors, which may be withheld in Transferors' sole discretion; provided, however, that Buyer shall have the right to assign all or a portion of its rights hereunder to an entity which is at least 75% owned, directly or indirectly, by Buyer, without the prior consent of Transferors, except that any such assignment to such an affiliate of Buyer shall not relieve Buyer of any of its obligations under this Agreement.

SECTION 7.4 Notices. Any notice, consent or approval (or request for consent or approval) required or permitted to be given under this Agreement shall be in writing and shall be given or requested by (i) hand delivery, (ii) Federal Express or another reliable overnight courier service, (iii) facsimile telecopy, or (iv) United States mail, registered or certified mail, postage prepaid, return receipt required, and addressed as follows:

To Transferors:

c/o AMB Property, L.P.
505 Montgomery Street, Fifth Floor
San Francisco, CA 94111
Attn: W. Blake Baird
Fax No.: (415) 394-9001

and

AMB Property, L.P.
505 Montgomery Street, Fifth Floor
San Francisco, CA 94111
Attn: General Counsel
Fax No.: (415) 394-9001

with a copy to:
Morrison & Foerster LLP
755 Page Mill Road
Palo Alto, California 94304-1018
Attn: Philip J. Levine
Fax No.: (650) 494-0792

To Buyer:

Burnham Pacific Properties, Inc.
100 Bush Street, Suite 2400
San Francisco, CA 94104
Attn: General Counsel
Fax No.: (650) 352-1711

with a copy to:

David Krotine, Esq.
McDonough, Holland & Allen
5555 Capitol Mall, 9th Flr.
Sacramento, CA 94814
Fax No.: (916) 444-5918

with a copy to:

Goodwin, Procter & Hoar LLP
Exchange Place
Boston, MA 02109-2881
Attn: Christopher B. Barker, P.C.
Fax No.: 617-227-8591

Any such notice, consent or approval (or request for consent or approval) shall be deemed given or requested (i) if given by hand delivery, upon such hand delivery, (ii) one (1) business day after being deposited with Federal Express or another reliable overnight courier service, (iii) if sent by facsimile, the day the facsimile is successfully transmitted, or (iv) if sent by registered or certified mail, three (3) business days after being deposited in the United States mail. Any address or name specified above may be changed by notice given to the addressee by the other party in accordance with this Section 7.4. The inability to deliver because of a changed address

of which no notice was given, or rejection or other refusal to accept any notice, shall be deemed to be the receipt of the notice as of the date of such inability to deliver or rejection or refusal to accept. Any notice to be given by any party hereto may be given by the counsel for such party.

SECTION 7.5 ARBITRATION OF DISPUTES. CONTROVERSIES OR CLAIMS TO BE SUBMITTED TO ARBITRATION PURSUANT TO SECTIONS 2.5, 2.6 OR 6.9 ABOVE SHALL BE RESOLVED BY ARBITRATION CONDUCTED IN ACCORDANCE WITH THE CALIFORNIA CODE OF CIVIL PROCEDURE SECTION 1280 ET SEQ. AND UNDER THE REAL ESTATE INDUSTRY RULES OF THE AMERICAN ARBITRATION ASSOCIATION ("AAA RULES"), EXCEPT THAT WITH RESPECT TO ANY INSTANCE IN WHICH THE ARBITRATION RELATES SOLELY TO A DISPUTE OVER THE AMOUNT OF A PRICE ADJUSTMENT, ANY SUCH ARBITRATION SHALL BE SO CALLED "BASEBALL-STYLE" SUCH THAT EACH PARTY SHALL STATE A SINGLE AMOUNT AS ITS POSITION ON THE ISSUE BEING ARBITRATED AND A SINGLE ARBITRATOR SHALL BE REQUIRED TO SELECT ONE OF THE AMOUNTS STATED BY THE PARTIES, AND SHALL HAVE NO RIGHT TO DECIDE A DIFFERENT AMOUNT OR OTHERWISE TAKE A DIFFERENT POSITION. THE ARBITRATOR(S) SHALL GIVE EFFECT TO SUBSTANTIVE AND PROCEDURAL LAW OF THE STATE OF CALIFORNIA INCLUDING, WITHOUT LIMITATION, THE STATUTES OF LIMITATION IN DETERMINING ANY CLAIM (BUT EXCLUDING PRINCIPLES RELATING TO CONFLICTS OF LAWS). ANY CONTROVERSY CONCERNING WHETHER AN ISSUE IS ARBITRABLE SHALL BE DETERMINED BY THE ARBITRATOR(S). ALL DECISIONS BY THE ARBITRATOR(S) SHALL BE IN WRITING AND COPIES OF THE DECISIONS SHALL BE DELIVERED TO EACH PARTY.

ARBITRATION SHALL TAKE PLACE IN SAN FRANCISCO, CALIFORNIA AT A LOCATION MUTUALLY ACCEPTABLE TO THE PARTIES OR AS DESIGNATED BY THE ARBITRATOR(S) IF THE PARTIES CANNOT AGREE ON A LOCATION. THE DECISION BY THE ARBITRATOR(S) SHALL BE ISSUED NO LATER THAN SIXTY (60) DAYS AFTER THE DATE ON WHICH THE INITIATING PARTY GIVES WRITTEN NOTICE TO THE OTHER PARTY OF ITS INTENTION TO ARBITRATE, WHICH NOTICE SHALL COMPLY WITH THE REQUIREMENTS OF THE AAA RULES AND THREE COPIES OF SUCH NOTICE SHALL BE FILED AT THE REGIONAL OFFICE OF AAA IN SAN FRANCISCO, CALIFORNIA AS PROVIDED IN THE AAA RULES.

JUDGMENT UPON THE ARBITRATION AWARD MAY BE ENTERED IN ANY COURT HAVING JURISDICTION. THE INSTITUTION AND MAINTENANCE OF AN ACTION FOR JUDICIAL RELIEF OR PURSUIT OF A PROVISIONAL OR ANCILLARY REMEDY SHALL NOT CONSTITUTE A WAIVER OF THE RIGHT OF ANY PARTY, INCLUDING THE PLAINTIFF, TO SUBMIT THE CONTROVERSY OR CLAIM TO ARBITRATION IF ANY OTHER PARTY CONTESTS SUCH ACTION FOR JUDICIAL RELIEF.

NOTICE: BY INITIALING IN THE SPACE BELOW YOU ARE AGREEING TO HAVE ANY DISPUTE ARISING OUT OF THE MATTERS INCLUDED IN THE `ARBITRATION OF DISPUTES' PROVISION DECIDED BY NEUTRAL ARBITRATION AS PROVIDED BY CALIFORNIA LAW AND YOU ARE GIVING UP ANY RIGHTS YOU MIGHT POSSESS TO HAVE THE DISPUTE LITIGATED IN A COURT OR JURY TRIAL. BY INITIALING

IN THE SPACE BELOW, YOU ARE GIVING UP YOUR JUDICIAL RIGHTS TO DISCOVERY AND APPEAL, UNLESS THOSE RIGHTS ARE SPECIFICALLY INCLUDED IN THE `ARBITRATION OF DISPUTES' PROVISION. IF YOU REFUSE TO SUBMIT TO ARBITRATION AFTER AGREEING TO THIS PROVISION, YOU MAY BE COMPELLED TO ARBITRATE UNDER THE AUTHORITY OF THE CALIFORNIA CODE OF CIVIL PROCEDURE. YOUR AGREEMENT TO THIS ARBITRATION PROVISION IS VOLUNTARY.

WE HAVE READ AND UNDERSTAND THE FOREGOING AND AGREE TO SUBMIT DISPUTES ARISING OUT OF THE MATTERS INCLUDED IN THE `ARBITRATION OF DISPUTES' PROVISION TO NEUTRAL ARBITRATION.

SECTION 7.6 Entire Agreement. Excepting solely the Confidentiality Agreements, this Agreement and the attached exhibits, which are by this reference incorporated herein, and all documents in the nature of such exhibits, when executed, contain the entire understanding of the parties and supersede any and all other written or oral understanding.

SECTION 7.7 Time. Time is of the essence of every provision contained in this Agreement.

SECTION 7.8 Incorporation by Reference. All of the exhibits attached to this Agreement or referred to herein and all documents in the nature of such exhibits, when executed, are by this reference incorporated in and made a part of this Agreement.

SECTION 7.9 Attorneys' Fees. In the event any dispute between Buyer and any of Transferors should result in litigation or arbitration, including, without limitation, arbitration pursuant to Section 7.5 above, the prevailing party shall be reimbursed for all reasonable costs incurred in connection with such litigation or arbitration, including, without limitation, reasonable attorneys' fees and costs.

SECTION 7.10 Construction. The parties acknowledge that each party and its counsel have reviewed and revised this Agreement and that the normal rule of construction to the effect that any ambiguities are to be resolved against the drafting party shall not be employed in the interpretation of this Agreement or any amendments or exhibits hereto.

SECTION 7.11 Governing Law. This Agreement shall be construed and interpreted in accordance with and shall be governed and enforced in all respects according to the laws of the State of California (without giving effect to conflicts of laws principles).

SECTION 7.12 Operating Records. Each party agrees to make available to the other party from time to time, but not more frequently than quarterly, upon reasonable notice, for a period of two years following the Closing Date, such party's operating records for the Properties, to the

extent such party has operating records, in order to permit the requesting party to prepare such historical financial statements for the Properties as such party requires to satisfy legal or contractual obligations. The party making its operating records available shall have no obligation to prepare any operating statements or incur any expense in connection with the provisions of this section.

SECTION 7.13 Confidentiality. Buyer and Transferors each acknowledge and agree that this Agreement and the terms and conditions set forth are to be kept confidential unless and until the closing occurs on the Closing Date in accordance with and subject to the terms of this Section 7.13 and the Confidentiality Agreements. Without limiting the obligations of Buyer's constituent partners under the Confidentiality Agreements, each party shall be entitled to discuss and disclose the transaction with employees, agents, consultants, lenders, clients and representatives of such party -- each of whom shall be directed by the disclosing party to maintain such information in confidence. Notwithstanding anything to the contrary contained in this Section 7.13, following the full execution of this Agreement and Buyer's delivery of the Deposit to Title Company, the parties shall issue a joint press release with respect to this transaction, which press release shall be in the form attached hereto as Exhibit J. The Transferors agree that nothing in this Section shall prevent Buyer from disclosing any information otherwise deemed confidential under this Section (i) in connection with Buyer's enforcement of its rights hereunder or (ii) pursuant to any legal requirement applicable to Buyer, including, without limitation, any securities laws, any reporting requirement or any accounting or auditing standard.

SECTION 7.14 Counterparts. This Agreement may be executed in one or more counterparts. All counterparts so executed shall constitute one contract, binding on all parties, even though all parties are not signatory to the same counterpart.

SECTION 7.15 Transferors' Representative. Buyer shall be entitled to rely upon any notice, approval or decision expressed by any of the Knowledge Persons acting alone on behalf of all of the Transferors.

SECTION 7.16 No Liability. Notwithstanding anything to the contrary contained herein, in no event shall Calpers, which is a constituent member of Buyer, or any of its trustees, directors or employees, have any personal liability under this Agreement.

SECTION 7.17 Escrow Provisions.

(a) By its signature below, Title Company acknowledges receipt of the Deposit (whether in the form of cash or a Letter of Credit). Title Company agrees to hold the Deposit (whether in the form of cash or a Letter of Credit) in escrow pursuant to the provisions of this Agreement for application in accordance with the provisions of this Agreement, including the following terms:

(1) Title Company shall have no duties or responsibilities other than those expressly set forth in this Agreement. Title Company shall have no duty to enforce any obligation of any person to make any payment or delivery or to enforce any obligation of any person to perform any other act. Title Company shall be under no liability to the other parties

hereto or to anyone else by reason of any failure on the part of any party hereto or any maker, guarantor, endorser or other signatory of any document or any other person to perform such person's obligations under any such document. Except for this Agreement, amendments to this Agreement executed by Transferors and Buyer and except for joint written instructions given to Title Company by Transferors and Buyer relating to the Deposit, Title Company shall not be obligated to recognize any agreement between any or all of the persons referred to herein, notwithstanding that references thereto may be made herein and whether or not it has knowledge thereof.

(2) In its capacity as Title Company, Title Company shall not be responsible for the genuineness or validity of any security, instrument, document or item deposited with it and shall have no responsibility other than to faithfully follow the instructions contained in this Agreement, and subject to the terms hereof, it is fully protected in acting in accordance with any written instrument given to it hereunder by any of the parties hereto and believed by Title Company to have been signed by the proper person. Title Company may assume that any person purporting to give any notice hereunder has been duly authorized to do so. Title Company is acting as a stakeholder only with respect to the Deposit. If there is any dispute or uncertainty concerning any action to be taken hereunder, Title Company shall have the right to take no action (other than to make demand for the principal amount of any portion of the Deposit in the form of a Letter of Credit as may be required under this Agreement which demand shall be made as so required by this Agreement notwithstanding any contrary instructions by Buyer unless approved in writing by Transferors) until it shall have received instructions in writing approved by Transferors and Buyer or until directed by a final order of judgment of a court of competent jurisdiction, whereupon Title Company shall take such action in accordance with such instructions or such order.

(3) It is understood and agreed that the duties of Title Company are purely ministerial in nature. Title Company shall not be liable to the other parties hereto or to anyone else for any action taken or omitted by it, or any action suffered by it to be taken or omitted, in good faith and in the exercise of reasonable judgment, except for acts of willful misconduct or gross negligence. Title Company may rely conclusively and shall be protected in acting upon any order, notice, demand, certificate, opinion or advice of counsel (including counsel chosen by Title Company), statement, instrument, report or other paper or document (not only as to its due execution and the validity and effectiveness of its provisions, but also as to the truth and accuracy of any information therein contained) which is reasonably believed by Title Company to be genuine and signed or presented by the proper person or persons. Title Company shall not be bound by any notice or demand, or any waiver, modification, termination or rescission of this Agreement or any of the terms hereof, unless evidenced by a final judgment or decree of a court of competent jurisdiction in the State of California or a Federal court in such State, or a writing delivered to Title Company signed by the proper party or parties and, if the duties or rights of Title Company are affected, unless it shall give its prior written consent thereto.

(4) Title Company shall have the right to assume in the absence of written notice to the contrary from the proper person or persons that a fact or an event by reason of which an action would or might be taken by Title Company does not exist or has not occurred, without incurring liability to the other parties hereto or to anyone else for any action taken or

omitted, or any action suffered by it to be taken or omitted, in good faith and in the exercise of reasonable judgment, in reliance upon such assumption.

(5) Except in connection with Title Company's willful misconduct or gross negligence, Title Company shall be indemnified and held harmless jointly and severally by the other parties hereto from and against any and all liabilities, expenses and losses suffered by Title Company (as escrow agent), including reasonable attorneys' fees and expenses, in connection with any action, suit or other proceeding involving any claim, which arises out of or relates to this Agreement, the services of Title Company hereunder or the monies or instruments held by it hereunder. Promptly after the receipt by Title Company of notice of any demand or claim or the commencement of any action, suit or proceeding, Title Company shall, if a demand or a claim is made or an action is commenced against any of the other parties hereto, notify such other parties hereto in writing; but the failure by Title Company to give such notice shall not relieve any party from any liability which such party may have to Title Company hereunder.

SECTION 7.18 State Specific Provisions.

(a) In regards to Real Property located in California:

(i) Buyer is hereby apprised of and shall determine whether any Real Property is located within the coastal zone under the California Coastal Act.

(ii) Buyer is hereby apprised of and shall determine whether any Real Property is located within a special studies zone under the Alquist-Priolo Geologic Hazard Act.

(iii) To the extent required by law, Transferors and Buyer agree to provide a Real Estate Transfer Disclosure Statement.

(iv) Transferors shall provide Buyer with a form California 590-RE.

(b) In regards to Real Property located in Florida:

(i) Buyer is notified as follows: RADON GAS: Radon is a naturally occurring radioactive gas that, when it has accumulated in a building in sufficient quantities, may present health risks to persons who are exposed to it over time. Levels of radon that exceed federal and state guidelines have been found in buildings in Florida. Additional information regarding radon and radon testing may be obtained from your county public health unit.

(ii) THE REAL PROPERTY MAY BE LOCATED IN A DISTRICT THAT IMPOSES TAXES OR ASSESSMENTS, OR BOTH TAXES AND ASSESSMENTS, ON THE REAL PROPERTY THROUGH A SPECIAL TAXING DISTRICT. THESE TAXES AND ASSESSMENTS PAY THE CONSTRUCTION, OPERATION AND MAINTENANCE COSTS OF CERTAIN PUBLIC FACILITIES OF THE DISTRICT AND ARE SET ANNUALLY BY THE GOVERNING BOARD OF THE DISTRICT. THESE TAXES AND ASSESSMENTS ARE IN ADDITION TO COUNTY AND ALL OTHER TAXES AND ASSESSMENTS PROVIDED FOR BY LAW.

(iii) Buyer is hereby apprised of and shall determine whether any Real Property is located within the coastal construction control line and Buyer shall waive in writing at closing the requirement of Transferors to provide an affidavit or survey delineating the location of the coastal construction control line.

(iv) Buyer is hereby apprised that Buyer has the right to have the energy-efficiency rating determined. If Buyer desires to have the Real Property rated, Buyer must arrange to have the energy-efficiency rating determination performed at Buyer's expense. The energy rating so determined shall not, however, entitle Buyer to cancel this Agreement since such rating is not a contingency of this Agreement.

(c) In regards to Real Property located in Maryland: Buyer is hereby apprised of and shall determine whether the Real Property located in Maryland is subject to the Agricultural Land Transfer Tax as provided in Maryland Code Section 13-301 et seq. and Buyer shall be responsible for the payment of any Agricultural Land Transfer Tax, if any, due as a result of the conveyance of the Real Property located in Maryland to Buyer.

IN WITNESS WHEREOF, Transferors and Buyer have executed this Agreement as of the day and year first written above.

Buyer:

BPP RETAIL, LLC,
a Delaware limited liability company

By: Burnham Pacific Operating Partnership, L.P.
a Delaware limited partnership
Its Managing Member

By: Burnham Pacific Properties, Inc.
Its general partner

By: _____
Name: _____
Title: _____

By: _____
Name: _____
Title: _____

Transferors:

AMB Property, L.P.
a Delaware limited partnership

By: AMB Property Corporation
Its general partner

By: _____
Name: _____

AMB Property II, L.P.
a Delaware limited partnership

By: AMB Property Holding Corporation
Its general partner

By: _____
Name: _____

Long Gate, L.L.C.
a Delaware limited liability company

By: _____
Name: _____

The undersigned party is joining this Agreement solely for the purpose of acknowledging and agreeing to the provisions of Article V and Section 7.17 hereof and any other provisions of this Agreement expressly applicable to Title Company.

CHICAGO TITLE COMPANY

By: _____
Name: _____
Title: _____

EXHIBIT 10.2

AGREEMENT FOR PURCHASE AND SALE

March 9, 1999

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List of Exhibits

AGREEMENT FOR PURCHASE AND EXCHANGE

THIS AGREEMENT FOR PURCHASE AND EXCHANGE is made and entered into as of March 9, 1999, by and among AMB PROPERTY, L.P., a Delaware limited partnership ("AMBLP"), AMB PROPERTY II, L.P., a Delaware limited partnership ("AMB II" and AMBLP are, collectively, as to the properties described on Exhibit A-2, the "Exchangors," and as to the properties described on Exhibit A-1, the "Sellers" and, together, the "Transferors"), and BPP RETAIL, LLC, a Delaware limited liability company ("Buyer"). Transferors and their respective interests in the Properties (as defined below) are identified more precisely on Exhibit A to this Agreement.

RECITALS

A. The Sellers hold ownership of a portfolio of properties listed on Exhibit A-1 to this Agreement and defined below with greater specificity as the " Sale Properties."

B. The Exchangors hold ownership of a portfolio of properties listed on Exhibit A-2 to this Agreement and defined below with greater specificity as the "Exchange Properties."

C. Buyer desires to acquire and each of Exchangors desires to transfer, subject to the terms and conditions contained in this Agreement, the entirety of its right, title and interest in the Exchange Properties.

D. Buyer desires to acquire and each of Sellers desires to sell, subject to the terms and conditions contained in this Agreement, the entirety of its right, title and interest in the Sale Properties.

AGREEMENT

NOW, THEREFORE, Buyer and Transferors do hereby agree as follows:

ARTICLE 1
BASIC DEFINITIONS

"Additional Exceptions" shall have the meaning set forth in Section 2.6(a).

"Additional Title Exception Notice" shall have the meaning set forth in Section 2.6(b).

"Allocated Price" shall refer, as to each Sale Property, to the portion of the Sale Purchase Price allocated to such Sale Property as set forth on Exhibit H-1 to this Agreement, and as to each Exchange Property, to the portion of the Exchange Price allocated to such Exchange Property as set forth on Exhibit H-2 to this Agreement.

"Closing Date" shall mean July 31, 1999 (as such date may be deferred with respect to a particular Property pursuant to the terms of this Agreement); provided, that Transferors shall have the right to (A) extend the Closing Date for up to fifty (50) days and/or (B) accelerate the Closing Date by up to thirty (30)) days, upon not less than ten (10) business days notice prior to

the original Closing Date (if Transferors are extending the Closing Date) and upon not less than thirty (30) days notice prior to an accelerated Closing Date (if Transferors are accelerating the Closing Date).

"Confirmation Letter" shall mean the letter in the form attached as Exhibit B to this Agreement to be delivered by Buyer to Transferors on or prior to the close of the prescribed Confirmation Period pursuant to Section 3.2 below.

"Confirmation Period" shall mean the period commencing on the date of this Agreement, and ending at 5:00 p.m., California time on April 8, 1999, provided that the Confirmation Period may end earlier at Buyer's election upon delivery by Buyer to Transferors of the Confirmation Letter (representing the conclusive waiver by Buyer of any further Confirmation Period).

"Contract Period" shall mean the period from the date of this Agreement through and including the Closing Date (as the same may be extended pursuant to this Agreement).

"Contracts" shall mean all maintenance, service and other operating contracts, equipment leases and other arrangements or agreements to which any Transferors is a party affecting the ownership, repair, maintenance, management, leasing or operation of the Properties.

"Deferred Property" shall have the meaning set forth in Section 2.5(d) below.

"Deleted Property" shall have the meaning set forth in Section 2.5(d) below.

"Disclosure Materials" shall mean those materials described in Section A of the Disclosure Materials List & Statement to which Buyer has been afforded access and review rights prior to the date of this Agreement.

"Disclosure Materials List & Statement" shall mean the statement set forth as Exhibit C to this Agreement.

"Exchange Price" shall have the meaning set forth in Section 2.2(b) below.

"Exchange Property" shall mean, with respect to each of the Properties described on Exhibit A-2, the Real Property, the Personal Property and the Intangible Property. Collectively, such Properties shall be referred to as the "Exchange Properties."

"Financial Statements" shall mean the historical income and expense statements for the Properties for calendar years 1997 and 1998 (or such shorter period as Transferors may have owned an applicable Property), which have been provided to Buyer.

"Hazardous Materials" shall mean any substances, materials, wastes, pollutants or contaminants defined or listed in or subject to reporting, investigation, permitting, remediation, licensing or other regulatory requirements under any environmental laws or regulations, including, without limitation, any inflammable explosives, radioactive materials, asbestos, polychlorinated biphenyls, trichloroethylene, tetrachloroethylene, perchloroethylene and other chlorinated solvents, petroleum products and by-products and other substances with toxic or hazardous characteristics.

"Improvements" shall mean, as to each of the properties listed on Exhibit A, the right, title and interest of the Transferors in ownership of such property in any and all structures, buildings, facilities, parking areas or other improvements situated on such property's Land and all related fixtures, improvements, building systems and equipment (including, without limitation, HVAC, security and life safety systems).

"Intangible Property" shall mean, as to each Real Property, the right, title and interest of the Transferors in ownership of such Real Property in: (a) any and all permits, entitlements, filings, building plans, specifications and working drawings, certificates of occupancy, operating permits, sign permits, development rights and approvals, certificates, licenses, warranties and guarantees, engineering, soils, pest control, survey, environmental, appraisal, market and other reports relating to such Real Property and associated Personal Property; (b) all trade names, service marks, tenant lists, advertising materials and telephone exchange numbers identified with such Real Property; (c) the Contracts and the Leases; (d) except as set forth on Exhibit L attached hereto (the "Excluded Claims"), claims, awards, actions, remedial rights and judgments, and escrow accounts relating to environmental remediation, to the extent relating to such Real Property and associated Personal Property; (e) all books, records, files and correspondence relating to such Real Property and associated Personal Property; (f) to the extent assignable, the agreements listed on Exhibit V attached hereto, including all purchase options, rights of first refusal or first opportunity to purchase and similar rights contained therein; and (g) all other transferable intangible property, miscellaneous rights, benefits or privileges of any kind or character with respect to such Real Property and associated Personal Property, including, without limitation, under any REAs, provided that the Intangible Property shall not include any Transferor's name or any right to the reference "AMB".

"Investigation Matters" shall have the meaning set forth in Section 2.4(a) below.

"Land" shall mean, as to each of the properties listed on Exhibit A, the land component of the property as described with precision in the Title Policies.

"Leases" shall mean, as to each Real Property, all leases, concession agreements, rental agreements or other agreements (including all amendments or modifications thereto) which entitle any person to the occupancy or use of any portion of the Real Property.

"Material Adverse Matters Amount" shall refer, as to any Property, to the amount, if any, as to which Buyer claims a credit against the Price with respect to an Investigation Matter pursuant to Section 2.5 and Exhibit N attached hereto.

"Permitted Exceptions" shall mean the various matters affecting title to the Properties that are approved or deemed approved by Buyer pursuant to Section 2.6 below.

"Personal Property" shall mean, as to each Real Property, all furniture, furnishings, trade fixtures and other tangible personal property directly or indirectly owned by the Transferors in ownership of such Real Property that is located at and used exclusively in connection with the operation of any Real Property.

"Price" shall mean the Sale Purchase Price and the Exchange Price, collectively.

"Property" shall mean, with respect to each of the properties described on Exhibit A, the Real Property, the Personal Property and the Intangible Property. Collectively, such properties shall be referred to as the "Properties."

"Real Property" shall mean, as to each property listed on Exhibit A, the Land, the Improvements and all of Transferor's right, title and interest in and to the rights, privileges, easements, and appurtenances to the Land or the Improvements, including, without limitation, any air, development, water, hydrocarbon or mineral rights held by any Transferors, all licenses, easements, rights-of-way, claims, rights or benefits, covenants, conditions and servitude and other appurtenances used or connected with the beneficial use or enjoyment of the Land or the Improvements and all rights or interests relating to any roads, alleys or parking areas adjacent to or servicing the Land or the Improvements.

"REAs" shall have the meaning set forth in Section 4.1(b)(viii) below.

"Rent Rolls" shall refer to the information schedules attached as Exhibit E to this Agreement pertaining to the Leases.

"Sale Property" shall mean, with respect to each of the Properties described on Exhibit A-1, the Real Property, the Personal Property and the Intangible Property. Collectively, such Properties shall be referred to as the "Sale Properties."

"Sale Purchase Price" shall have the meaning set forth in Section 2.2(a) below.

"Surveys" shall refer to Transferors' existing surveys with respect to the Properties which have been delivered by Transferors to Buyer.

"Title Company" shall mean Chicago Title Company; Attn: Pat Davisson (Telephone: (415) 788-0871).

"Title Policies" shall refer to Transferors' existing title insurance policies with respect to the Properties, complete copies of which have been made available by Transferors to Buyer.

"1031 Exchange" shall have the meaning set forth in Section 6.6 below.

ARTICLE 2
PURCHASE AND EXCHANGE

SECTION 2.1 Purchase and Transfer. Exchangors agree to transfer the Exchange Properties to Buyer by means of one or more 1031 Exchanges, and Buyer agrees to acquire the Exchange Properties upon all of the terms, covenants and conditions set forth in this Agreement. In furtherance of exchange, Buyer agrees to cooperate in such 1031 Exchanges pursuant to and as provided in Section 6.6 below. Sellers agree to sell the Sale Properties to Buyer and Buyer agrees to purchase or cause to be purchased the Sale Properties upon all of the terms, covenants and conditions set forth in this Agreement.

SECTION 2.2 Price.

(a) The aggregate purchase price for the Sale Properties (the "Sale Purchase Price") shall be the sum of One Hundred Thirty Eight Million Five Hundred Fifty Three Thousand Dollars (U.S. $138,553,000 subject to adjustment in accordance with Sections 2.3 [Adjustments], 6.3 [Prorations] and 6.9 [Completion Events] below. The entire amount of the Sale Purchase Price so adjusted shall be payable by Buyer to Sellers in cash on the Closing Date through the escrow described in Section 6.1 below.

(b) The aggregate price for the Exchange Properties (the "Exchange Price") shall be the sum of One Hundred Seven Million Two Hundred Thirteen Thousand Dollars (U.S. $107,213,000), subject to adjustment in accordance with Sections 2.3 [Adjustments], 6.3 [Prorations] and 6.9 [Completion Events] below. The entire amount of the Exchange Price so adjusted shall be payable by Buyer to one or more exchange facilitators selected by Exchangors in their sole discretion, in furtherance of one or more 1031 Exchanges, through payment in cash of the entire balance of the Exchange Price on the Closing Date through one or more escrows described in Section 6.1 below.

SECTION 2.3 Adjustments. In addition to the prorations and credits contemplated by Section 6.3 below, (a) the Price shall be decreased by the aggregate amount of the Allocated Prices of any Deleted Properties, (b) the portion of the Price payable on the Closing Date shall be reduced by the Allocated Price of any Deferred Properties, and (c) the Price shall be decreased by the aggregate amount of any adjustments effected pursuant to Sections 2.5 and 2.6 below.

SECTION 2.4 Buyer's Review and Transferors' Disclaimer.

(a) Buyer acknowledges that Transferors have afforded Buyer and its agents and representatives an opportunity to review all of the Disclosure Materials prior to the date of this Agreement and, subject to the express terms of this Agreement, that Buyer has completed such review to its satisfaction. Buyer has assumed fully the risk that Buyer has failed completely and adequately to review and consider any or all of such materials. But for Buyers' expression of satisfaction with the content of the Disclosure Materials, Buyer would not have entered into this Agreement; but for Buyer's expression of such satisfaction and assumption of any risk as to the character of its review and consideration of the Disclosure Materials, Transferors would not have entered into this Agreement. Nevertheless, during the Confirmation Period, Buyer shall be permitted to make a further review of information relating solely to the matters described on Exhibit N attached hereto (the "Investigation Matters") to determine whether any Material Adverse Matters Amounts exist with respect to the Properties and the extent of any such Material Adverse Matters Amount. Following the Confirmation Period, Buyer shall have no further right of inspection and review with respect to the Properties except solely for the purpose of assisting Buyer in its management transition as provided in Sections 4.2(m) and (o) and Section 6.10. The rights and obligations of the parties arising out of Buyer's determination and assertion prior to the close of the Confirmation Period that such Material Adverse Matters Amounts do exist shall be limited and solely governed by the provisions of Section 2.5 below and Exhibit N attached hereto.

(b) Buyer's exercise of the rights of review and confirmation set forth in subsection (a) shall be subject to the following limitations: (i) any entry onto any Property by Buyer, its agents or representatives, shall be during normal business hours, following not less

than 24 hours' prior notice to Transferors and, at Transferors' discretion, accompanied by a representative of Transferors; (ii) Buyer shall not conduct any drilling, test borings or other disturbance of any Property for review of soils, compaction, environmental, structural or other conditions without Transferors' prior written consent (which may be withheld in Transferor's sole and absolute discretion); (iii) any discussions or interviews with any third party, any partner of any Transferors, any tenants of a Property or their respective personnel, at Transferors' election, shall be conducted in the presence of Transferors or their representatives; (iv) any discussions or interviews with employees at any Property shall be limited to designated senior employees and, at Transferors' election, shall be conducted in the presence of Transferors or their representatives; (v) Buyer shall exercise reasonable diligence not to disturb the use or occupancy or the conduct of business at any Property; (vi) prior to any entry upon the Property by Buyer or any of its agents, representatives or consultants for the purpose of conducting any inspections, investigations or tests, Buyer shall deliver to Transferors a certificate of insurance evidencing that Buyer carries a liability insurance policy in an amount not less than $5,000,000, which liability insurance policy names each Transferors as an additional insured; and (vii) Buyer shall indemnify, defend and hold Transferors harmless from all loss, cost, and expense relating to personal injury or property damage resulting from any entry or inspections performed by Buyer, its agents or representatives. Subject to the provisions of this Agreement, Transferors shall at all times use all reasonable efforts (but at no material cost to Transferors) to provide Buyer with access or information that Buyer may reasonably request concerning the Properties, but Transferors shall bear no liability if Transferors are not able to afford Buyer such access or information despite such reasonable efforts.

(c) Buyer acknowledges (i) that Buyer has entered into this Agreement with the intention of making and relying upon its own investigation of the physical, environmental, economic and legal condition of the Properties, (ii) that, other than those specifically set forth in Article IV below or in any document to be delivered pursuant to Section 6.1 below, Transferors are not making and have not at any time made any warranty or representation of any kind, expressed or implied, with respect to the Properties, including, without limitation, warranties or representations as to habitability, merchantability, fitness for a particular purpose, title (other than Transferors' limited warranty of title set forth in the Deeds), zoning, tax consequences, latent or patent physical or environmental condition, utilities, operating history or projections, valuation, projections, compliance with law or the truth, accuracy or completeness of the Disclosure Materials, (iii) that other than those specifically set forth in Article IV below or in any document to be delivered pursuant to Section 6.1 below, Buyer is not relying upon and is not entitled to rely upon any representations and warranties made by Transferors or anyone acting or claiming to act on any of Transferors' behalf, (iv) that the Disclosure Materials include soils, environmental and physical reports prepared for Transferors by third parties as to which Buyer has no right of reliance, Buyer has conducted an independent evaluation and Transferors have made no representation whatsoever as to accuracy, completeness or adequacy (provided, however, that nothing herein shall be deemed to limit Buyer's right to seek to

obtain from the third parties which prepared such reports the right to rely on such reports at no cost to Transferors), and (v) that the Disclosure Materials include economic projections which reflect assumptions as to future market status and future Property income and expense with respect to the Properties which are inherently uncertain and as to which Transferors have not made any guaranty or representation whatsoever. Buyer further acknowledges that it has not received from Transferors any accounting, tax, legal, architectural, engineering, property management or other

advice with respect to this transaction and is relying solely upon the advice of its own accounting, tax, legal, architectural, engineering, property management and other advisors. Except as provided in the representations and warranties of Transferors set forth in Article IV below and except as otherwise expressly set forth in this Agreement or in any document to be delivered pursuant to Section 6.1 below, based upon the order of Buyer's familiarity with and due diligence relating to the Properties and pertinent knowledge as to the markets in which the Properties are situated and in direct consideration of Transferors' decision to sell or exchange the Properties to Buyer for the Price and not to pursue available disposition alternatives, Buyer shall purchase the Properties in an "as is, where is and with all faults" condition on the Closing Date and assumes fully the risk that adverse latent or patent physical, environmental, economic or legal conditions may not have been revealed by its investigations. Transferors and Buyer acknowledge that the compensation to be paid to Transferors for the Properties has taken into account that the Property is being sold or exchanged subject to the provisions of this Section 2.4. Transferors and Buyer agree that the provisions of this Section 2.4 shall survive closing.

(d) Consistent with the foregoing and subject solely to the express covenants and indemnities set forth in this Agreement and the representations set forth in Section 4.1 or in any document to be delivered pursuant to Section 6.1 below (as such covenants, indemnities and representations are limited pursuant to Section 4.4 hereof), effective as of the Closing Date, Buyer, for itself and its agents, affiliates, successors and assigns, hereby releases and forever discharges Transferors, their respective members, beneficial owners, agents, affiliates, successors and assigns (collectively, the "Releasees") from any and all rights, claims and demands at law or in equity, whether known or unknown at the time of this agreement, which Buyer has or may have in the future, arising out of the physical, environmental, economic or legal condition of the Properties, including, without limitation, all claims in tort or contract and any claim for indemnification or contribution arising under the Comprehensive Environmental Response, Compensation, and Liability Act (42 U.S.C. Section 9601, et. seq.) or any similar federal, state or local statute, rule or ordinance relating to liability of property owners for environmental matters. Without limiting the foregoing, Buyer, upon closing, shall be deemed to have waived, relinquished and released Transferors and all other Releasees from and against any and all matters arising out of latent or patent defects or physical conditions, violations of applicable laws and any and all other acts, omissions, events, circumstances or matters affecting the Properties, except for breach of the express covenants and indemnities set forth in this Agreement and the representations and warranties set forth in Section 4.1 or in any document to be delivered pursuant to Section 6.1 (as such covenants, indemnities and representations are limited pursuant to Section 4.4 hereof). For the foregoing purposes, Buyer hereby specifically waives the provisions of Section 1542 of the California Civil Code and any similar law of any other state, territory or jurisdiction. Section 1542 provides:

> A general release does not extend to claims which the creditor does not know or suspect to exist in his favor at the time of executing the release, which if known by him must have materially affected his settlement with the debtor.

Buyer hereby specifically acknowledges that Buyer has carefully reviewed this subsection and discussed its import with legal counsel and that the provisions of this subsection are a material part of this Agreement.

_____

Buyer

(e) Subject to the express covenants and indemnities set forth in this Agreement and the representations of Transferors set forth in Section 4.1 or in any document to be delivered pursuant to Section 6.1 (as such covenants, indemnities and representations are limited pursuant to Section 4.4 hereof), Buyer shall indemnify, defend and hold Transferors harmless from and against any and all losses, damages, causes of action, costs and expenses (including without limitation, reasonable attorneys' fees and costs), claims and liabilities in connection with or relating directly or indirectly to the Properties to the extent arising out of or resulting from acts or omissions occurring from and after the Closing Date. Transferors shall indemnify, defend

and hold Buyer harmless from and against any and all losses, damages, causes of action, costs and expenses (including, without limitation, reasonable attorneys' fees and costs), claims and liabilities in connection with claims brought by third parties unaffiliated to Buyer (i) for physical injury to persons or physical damage to property to the extent such injury or damage occurred on the Properties and arose out of or resulted from acts or omissions of Transferors that took place prior to the Closing Date, (ii) with respect to acts or omissions of Transferors that took place prior to the Closing Date and that are actually insured under an insurance policy carried by Transferors (and then only to the extent of the proceeds actually paid under such policy, Transferors agreeing to use commercially reasonable efforts to realize such insurance proceeds) and (iii) with respect to each of the matters which are listed on Exhibit W attached hereto as such list may be amended from time to time during the Contract Period by Transferors (and provided to Buyer) to reflect new litigation filed against Transferors during the Contract Period (the foregoing items (i), (ii) and (iii) being collectively referred to as "Claims"); provided that Transferors' indemnity contained in this Section 2.4(e) shall not apply to any Claims relating to or arising out of or in connection with the environmental condition of the Properties whether or not such Claim may be covered by Transferors' environmental insurance policies.

SECTION 2.5 Material Adverse Matters Amounts.

(a) On or prior to the close of the Confirmation Period, Buyer shall deliver to Transferors the Confirmation Letter in the form attached as Exhibit B to this Agreement confirming Buyer's satisfaction as to the absence of any Material Adverse Matters Amounts other than as specified in the Confirmation Letter and waiving any further right or need to conduct further review or investigation for such purposes. Buyer's failure to deliver to Transferors on or prior to the close of the Confirmation Period an executed Confirmation Letter in the form attached as Exhibit B, without modification or qualification in any manner whatsoever (whether material or immaterial) -- excepting an enumeration and explanation of identified Material Adverse Matters Amounts, shall be deemed conclusively as Buyer's confirmation of the absence of any Material Adverse Matters Amounts.

(b) If the Confirmation Letter identifies any Material Adverse Matters Amounts, the Confirmation Letter shall set forth: (i) the identity of any Properties as to which Buyer has identified any Material Adverse Matters Amounts, (ii) the nature of the Investigation Matter for each affected Property which resulted in such Material Adverse Matters Amounts and (iii) reasonably detailed evidence of the existence of such Material Adverse Matters Amount and Buyer's rationale for and calculation of the Material Adverse Matters Amounts set forth.

(c) If the Confirmation Letter does so identify Material Adverse Matters Amounts, then, for a period ending five (5) business days following the close of the Confirmation Period, Buyer and Transferors shall negotiate in good faith (but otherwise as a matter within each party's sole discretion) to determine whether the parties can reach a mutually acceptable reduction in the Price. The parties further acknowledge that neither participation in nor any statements made in the course of such discussions shall represent or be interpreted as an admission or agreement as to the existence, character or measure of any Material Adverse Matters Amount.

(d) In any event, if the parties are not able to reach and execute a written agreement evidencing a mutually satisfactory Price adjustment within such five (5) business day negotiation period, Transferors shall provide Buyer with written notice (the "Election Notice") within an additional period of three (3) business days informing Buyer that Transferors, in Transferors' sole discretion: (i) dispute the existence or measure of Material Adverse Matters Amounts as to Properties identified in the Election Notice, (ii) accept Buyer's calculation of the Material Adverse Matters Amounts, in which case the Price shall be reduced by the Material Adverse Matters Amount set forth in Buyer's calculation, or (iii) withdraw Properties identified in the Election Notice from the sale or exchange to Buyer; provided, however, that Transferors shall not be permitted to withdraw any Property unless the Material Adverse Matters Amount claimed by Buyer exceeds $200,000 with respect to such Property and exceeds $750,000 with respect to all of the Properties (in which event Transferors, in Transferors' discretion, may withdraw such Properties as to which Material Adverse Matters Amounts are claimed until the claimed Material Adverse Matters Amounts for the remaining Properties is less than or equal to $750,000). Any Property identified as the subject of dispute under clause (i) above shall be referred to as a "Deferred Property." Any Property withdrawn under clause (iii) above shall be referred to as a "Deleted Property."

(e) If Transferors have elected to dispute the calculation of any Material Adverse Matters Amounts under subsection (d)(i) above, such dispute shall be submitted promptly to arbitration pursuant to Section 7.5 below. Buyer and Transferors, respectively, shall remain fully obligated to purchase and sell or exchange, as applicable, both the Deferred Properties and all other Properties (excepting any Deleted Properties) on the terms and

conditions set forth in this Agreement, provided that (i) the Price payable on the Closing Date applicable to all other Properties shall be reduced by the Allocated Price of the Deferred Properties, (ii) the Closing Date with respect to the Deferred Properties shall be deferred to that date ten (10) business days following the issuance of a final decision in arbitration, (iii) an amount equal to five percent (5%) of the Allocated Price for each Deferred Property shall be retained by Title Company as a continuing Deposit subject to disposition in accordance with Section 5.1 below as to such Deferred Property and (iv) the Allocated Price with respect to each Deferred Property shall be subject to any reduction determined in arbitration.

(f) Subject to the provisions of Section 2.8, if a Property is designated as a Deleted Property, Buyer and Transferors, respectively, shall have no further obligation to purchase or sell or exchange, as applicable, the Deleted Properties, shall remain obligated to purchase or sell or exchange, as applicable, all other Properties and the Price payable on the Closing Date applicable to all other Properties shall be reduced by the Allocated Prices of the Deleted Properties.

SECTION 2.6 Title Exceptions.

(a) Buyer acknowledges that prior to the date hereof, Transferors have provided to Buyer access to copies of the Title Policies, as well as copies of the exception documents referred to in the Title Policies and copies of the Surveys of the Properties, to the extent such exceptions are in Transferors' immediate possession. Buyer also acknowledges that Transferors have requested Title Company to deliver to Buyer updated title reports to the Title Policies, as well as copies of any exception documents relating to exceptions that are reflected in such updates that have not otherwise been provided to Buyer prior to the date hereof; provided that Transferors shall have no liability hereunder if Buyer is unable to obtain copies of any such documents and Buyer shall have no rights hereunder with respect thereto. Buyer may continue to secure during the Confirmation Period any additional title or survey updates desired by Buyer (and will use reasonable efforts to provide the copies of such updates to Transferors promptly after receipt of same by Buyer). As used herein, the term "Additional Exceptions" shall mean (i) any title exceptions or survey exceptions or qualifications identified by Title Company that are not within the definition of Permitted Exceptions, (ii) the items listed on Exhibit G-2 to the extent they materially and adversely affect the use, occupancy or value of a Property, provided that such items shall not be deemed to materially and adversely affect the use, occupancy and value of a Property to the extent Buyer has approved (or is deemed to have approved) exceptions on such Property or other Properties which are substantially similar in all material respects, (iii) matters shown on surveys described in the Exhibit G Title Policies (as defined in Exhibit G) or, if such surveys cannot be located or otherwise obtained, on new surveys obtained by Buyer, for the Properties identified on Exhibit G-2 which were not shown on the surveys for such Properties delivered or made available to Buyer, if applicable, and which materially and adversely affect the use, occupancy or value of a Property, provided that such items shall not be deemed to materially and adversely affect the use, occupancy and value of a Property to the extent Buyer has approved (or is deemed to have approved) such matters on such Property or other Properties which are substantially similar in all material respects, and (iv) with respect to any Property as to which the Title Company will not agree at least ten (10) business days prior to the end of the Confirmation Period to issue a survey endorsement referring to the same survey as is referenced in Transferors' most recent Exhibit G Title Policy (for such Property), any variance established by Buyer from the legal descriptions insured in Transferors' most recent Exhibit G Title Policies to the surveys described in such Title Policies (other than variances relating to the Civic Excluded Lot or Southwest Pavillion Pad (as such terms are defined in Exhibit A) as previously disclosed to Buyer or otherwise actually known to Buyer as of the date hereof). Buyer, in any event, shall endeavor in good faith (but at no out-of-pocket cost to Buyer) to cause the Title Company to delete or insure over any Additional Exceptions to Buyer's reasonable satisfaction prior to Buyer's expression of such matters in an Additional Title Exception Notice (as described below). Buyer shall have the right to request that the Title Company provide at Buyer's sole cost and expense any reinsurance or endorsements Buyer shall reasonably request

with respect to Permitted Exceptions, Additional Exceptions or otherwise, provided that the issuance of such reinsurance or endorsements shall not be a condition to or delay the closing except as otherwise provided in this Agreement.

(b) Buyer shall have the right to deliver a notice to Transferors identifying any Additional Exceptions (the "Additional Title Exception Notice") by the earlier of (i) five (5) business days after Scott Verges becomes aware of the matter constituting an Additional Exception or (ii) the close of the Confirmation Period. Buyer's failure to deliver any such notice

in timely fashion shall be deemed an approval of any such Additional Exceptions. Buyer shall have no right to deliver an Additional Title Exception Notice following the close of the Confirmation Period. If Buyer delivers an Additional Title Exception Notice within such period, Buyer and Transferors shall promptly attempt to agree upon the method or cost to cure or remove such Additional Exception or, if not susceptible to cure or removal, an appropriate reduction in the Allocated Price for the affected Property. If Transferors and Buyer are unable to agree upon a resolution within five (5) business days following Transferors' receipt of an Additional Title Exception Notice, Transferors shall elect, at its option and by written notice given not later than the date of Transferors' delivery of an Election Notice under Section 2.5(d) above, (i) to terminate this Agreement with respect to the affected Property, in which event such Property shall be treated as a Deleted Property or (ii) to submit the existence of the Additional Exception, the character of a satisfactory cure or the measure of appropriate price reduction to arbitration in accordance with the terms of Section 7.5, in which case the Property shall be treated as a Deferred Property. Notwithstanding the foregoing, Buyer shall not have the right to object to any Additional Exception if Title Company is willing to affirmatively insure or endorse over such Additional Exception at Transferors' expense, and the Title Company is acting in a commercially reasonable manner in providing such affirmative insurance or endorsement and Buyer reasonably approves the form and substance of such affirmative insurance or endorsement.

(c) "Permitted Exceptions" shall include and refer to the title exceptions set forth in Exhibit G attached hereto. Notwithstanding the foregoing, Transferors shall remove or cause the Title Company to remove or, except with respect to Deed of Trust Liens (as herein defined), endorse over by endorsement reasonably satisfactory to Buyer, at Transferors' sole cost and expense, on or prior to the Closing Date and there shall not be treated as Permitted Exceptions: (i) any liens of any mortgages or deeds of trust securing indebtedness of Transferors or its affiliates (collectively, "Deed of Trust Liens") and any other liens for monetary obligations (including mechanic's liens, but excluding (A) mechanic's liens filed by contractors or any other parties which are working for tenants under Leases or for Transferors where the obligation to pay such contractors or other parties is directly or indirectly an obligation of such tenants (but only to the extent (x) such obligation is not subject to reimbursement or payment by Transferors or its affiliates and (y) such tenant has neither filed for protection under applicable bankruptcy laws nor abandoned its premises) or which arise in connection with work as to which Buyer is to receive a credit at the closing (but only to the extent of such credit) or has agreed to assume the obligation which is the subject of such lien, and (B) any other liens which, in the aggregate, exceed Thirty-Five Thousand Dollars ($35,000) for a particular Property, which arise following the date of Buyer's execution and delivery of this Agreement and which were not created by or acquiesced in by Transferors, any affiliate of Transferors, or any partner, member, officer, director, employee, agent or representative of either such party) that are not assumed by Buyer

(for such purposes, all assessments collected with ad valorem real estate taxes and which are paid in installments and are not delinquent as of the Closing Date shall be assumed by Buyer (subject to the provisions of Section 6.3) and represent Permitted Exceptions); provided, however, that with respect to any liens identified in clause (B) above, (1) Transferors shall have the right, in Transferors' sole discretion, to (x) remove or cause the Title Company to remove or endorse over by endorsement reasonably satisfactory to Buyer, such lien at Transferors' sole cost and expense on or prior to the Closing Date, or (y) terminate this Agreement with respect to the affected property in which event such Property shall be treated as a Deleted Property, and (2) such liens shall not be Permitted Exceptions unless consented to by Buyer; and (ii) any title matters created in violation of Transferors' covenant set forth in Section 4.2(e) below.

(d) Transferors shall have no obligation to execute any affidavits or indemnifications in connection with the issuance of Buyer's title insurance excepting only the affidavit attached hereto as Exhibit K and such other customary affidavits as to authority, the rights of tenants in occupancy, the status of mechanics' liens and other affidavits or indemnifications reasonably necessary to address matters of title which Transferors are obligated to remove or cure pursuant to this Section 2.6.

SECTION 2.7 [Intentionally Omitted]

SECTION 2.8 Reinstatement Right. Notwithstanding anything to the contrary contained in this Agreement, if Transferors elect to treat a Property as a Deleted Property under Sections 2.5, 2.6 or 4.4 of this Agreement, Buyer shall have the right, by providing Transferors with written notice given within three (3) business days after receipt of Transferors' notice designating a Property as a Deleted Property, to cause such Property to no longer be treated as a Deleted Property and to purchase such Property in accordance with this Agreement, in which event the specific condition giving rise to Transferors' treatment of such Property as a Deleted Property shall be deemed waived by Buyer and Buyer shall not receive any adjustment to the Allocated Price for such

Property or have any right to deliver a Claim Notice as a result of such condition.

ARTICLE 3
CONDITIONS PRECEDENT

SECTION 3.1 Conditions.

(a) Notwithstanding anything in this Agreement to the contrary, Buyer's obligation to purchase a particular Property shall be subject to and contingent upon the satisfaction or waiver of the following conditions precedent with respect to such Property:

(i) The willingness, upon the sole condition of the payment of any regularly scheduled premium, of the Title Company (or another title insurance company reasonably satisfactory to Buyer) to issue Owner's Policies of Title Insurance in the form of the Title Policy issued to the applicable Transferor with respect to each Property in connection with the initial public offering of the stock of the Company (as herein defined) ("IPO") or, if no Title Policy was issued for a Property in connection with the IPO, then the Title Policy issued upon the acquisition of the Property by the applicable Transferor (or the party that contributed such

Property to the Transferor at the IPO (a "Contributor") (or such other form(s) as may be reasonably satisfactory to Buyer)), and with all of the endorsements issued in any Title Policy issued by the Title Company for a particular Property insuring Buyer (or Buyer's permitted assignee or nominee) that title to the applicable Real Property is vested of record in Buyer (or Buyer's permitted assignee or nominee) on the Closing Date subject only to the printed conditions and exceptions of such policies (but deleting (by endorsement or otherwise), where permitted under applicable laws or regulations and at Buyer's expense, any co-insurance, creditors rights and so-called "standard" exceptions) and the Permitted Exceptions applicable to such Real Property. Transferors will cooperate and use reasonable efforts (but at no out-of-pocket cost to Transferors) to assist Buyer in obtaining all endorsements contained in the Title Policies (whether issued in connection with the IPO or an acquisition). Without limiting the foregoing, if the Title Company (and, to the extent applicable, a different title insurance company if one other than the Title Company previously issued any such endorsement) refuses to issue such endorsement to Buyer at closing with respect to a matter insured against under the Title Policies, upon request of Buyer, Transferors will assert a claim against such insurer at Buyer's expense and direction with the goal of enabling Buyer to obtain such endorsement from such title company. Nothing contained in the second, third, or fourth sentence of this Section 3.1(a)(i) shall be construed as expanding the provisions of the first sentence of this Section 3.1(a)(i) or Section 2.6 or be considered a condition to Buyer's obligation to purchase any of the Properties and Transferors shall have no liability whatsoever if they are unable to cause a title company to issue any such endorsement;

(ii) With respect to a particular Property, such Property has not been designated a Deleted Property pursuant to this Agreement; and

(iii) Transferors' performance or tender of performance of all material obligations under this Agreement with respect to the applicable Property, including Transferors' covenants under Section 4.2 with respect to such Property.

(b) Notwithstanding anything in this Agreement to the contrary, Transferors' obligation to sell or exchange a particular Property or all of the Properties, as the case may be, shall be subject to and contingent upon the satisfaction or waiver of the following conditions precedent:

(i) With respect to a particular Property, such Property has not been designated a Deleted Property pursuant to this Agreement; and

(ii) Buyer's performance or tender of performance of all material obligations under this Agreement.

SECTION 3.2 Failure or Waiver of Conditions Precedent.

(a) If any of the conditions set forth in Section 3.1(a)(i) or (iii) is not fulfilled or waived by Buyer with respect to a particular Property, Buyer may, by written notice to Transferors, terminate this Agreement with respect to the applicable Property and such Property shall be treated as a Deleted Property. If the condition set forth in Section 3.1(b)(ii) is not fulfilled or waived, Transferors may, by written notice to Buyer, terminate this Agreement,

whereupon all rights and obligations hereunder of each party shall be at an end. Either party may, at its election, at any time or times on or before the date specified for the satisfaction of the condition, waive in writing the benefit of any of the conditions set forth in Section 3.1(a) and 3.1(b) above. In any event, Buyer's consent to the close of escrow with respect to a Property pursuant to this Agreement shall waive any remaining unfulfilled conditions for the benefit of Buyer with respect to such Property.

(b) Notwithstanding the foregoing, if Buyer desires to terminate this Agreement with respect to a Property based upon a failure of the condition set forth in Section 3.1(a)(i) or (iii) above, Transferors shall have a period of 30 days within which to cure such failure or, if such failure cannot reasonably be cured within 30 days, an additional reasonable time period of up to an additional 60 days (for a total of 90 days), so long as such cure has been commenced within such 30 days and is at all times diligently pursued. If Transferors have not cured such failure within such cure period then Buyer may elect to terminate this Agreement with respect to the affected Property, in which event such Property shall be treated as a Deleted Property.

ARTICLE 4
COVENANTS, WARRANTIES AND REPRESENTATIVES

SECTION 4.1 Transferors' Warranties and Representations. Each of Transferors expresses to Buyer the representations and warranties set forth below as of the date of this Agreement, provided that each of such representations and warranties shall be deemed expressly qualified by any information set forth on the Disclosure Materials List & Statement or contained in the Disclosure Materials, and any information set forth on the Disclosure Materials List & Statement or contained in the Disclosure Materials shall be deemed an exception to each and all of Transferors' representations and warranties set forth herein.

(a) Each of Transferors represents and warrants with respect to itself as follows:

(i) The Transferor (and Transferor's general partners, if Transferor is a limited partnership, and each of its constituent members, if Transferor is a limited liability company) is duly organized, validly existing and in good standing under the laws of its jurisdiction of organization and the Transferor is qualified to do business in each state in which Real Property owned by such Transferor is located to the extent the failure to so qualify would have a material and adverse effect on Transferor's performance of its obligations under this Agreement. The Transferor has full power and lawful authority to enter into and carry out the terms and provisions of this Agreement and to execute and deliver all documents which are contemplated by this Agreement, and all actions of the Transferor necessary to confer such power and authority upon the persons executing this Agreement (and all documents which are contemplated by this Agreement) on behalf of the Transferor have been taken;

(ii) Except with respect to the third party consents expressly described in or contemplated under this Agreement or expressly required under any agreements included in Intangible Property, the Transferor's execution and delivery of this Agreement, the consummation of the transactions contemplated hereby and the performance of the Transferor's

obligations under the instruments required to be delivered by the Transferor at the closing, do not and will not require the consent, approval or other authorization of, or registration, declaration or filing with, (collectively, "Consents") any governmental authority (excepting the recordation of closing documents contemplated in this Agreement and any filings required under applicable state or federal securities or tax laws) or any other person or entity, except such Consents as will be obtained on or before closing or as to which the failure to obtain would not have a material and adverse effect on Transferor's performance of its obligations under this Agreement, and do not and will not result in any material violation of, or material default under, any term or provision of any agreement, instrument, mortgage, loan agreement or similar document to which the Transferor is a party or by which the Transferor is bound. Subject to the foregoing, all partnership, limited liability company, board of directors and shareholder approvals required for Transferor to enter into this Agreement and to consummate the transactions described in this Agreement have been obtained;

(iii) There is no litigation, investigation or proceeding pending or, to the best of the Transferor's knowledge, contemplated or threatened against the Transferor which would impair or adversely affect the Transferor's ability to perform its obligations under this Agreement or any other instrument or document related hereto; and

(iv) The Transferor is not a "foreign person" as defined in Internal Revenue Code 1445(f)(3).

(b) Each of Transferors represents and warrants as follows with respect to each Property owned by such Transferor:

(i) As of the date of this Agreement, Transferor has no knowledge that, and has received no written notice from any governmental authorities that eminent domain proceedings for the condemnation of any Property or any part of a Property are pending;

(ii) As of the date of this Agreement, Transferor has no knowledge that, and has received no written notice of any threatened or pending litigation against Transferor other than routine matters covered by Transferor's insurance or other matters which would not materially and adversely affect any Property;

(iii) As of the date of this Agreement, Transferor has received no written notice from any governmental authority that the improvements constituting any Property are presently in material violation of any applicable building codes where such violation has not been cured in all material respects;

(iv) As of the date of this Agreement, Transferor has received no written notice from any governmental authority that any Property is presently in material violation of any applicable zoning, land use or other law, order, ordinance, rule or regulation affecting the Property which violation has not been cured, that any investigation has been commenced or is contemplated with respect to any such possible failure of compliance and Transferor has not received written notice from any insurance company or Board of Fire Underwriters any written notice of any defect or inadequacy in connection with a Property or its operation where such defect or inadequacy has not been cured in all material respects;

(v) There are no Contracts involving payment in excess of $25,000 per annum with respect to any Property that will be binding upon Buyer after the closing, other than such Contracts that are cancelable by the owner of the Property within 30 days after written notice from such owner without penalty or premium (other than penalties or premiums that will be paid by Transferor on or before the closing);

(vi) As of the date of this Agreement, except as set forth in the environmental reports included within the Disclosure Materials and any reports or studies prepared by or for Buyer, Transferor has received no written notice of the presence or release of any Hazardous Materials presently deposited, stored, or otherwise located on, under, in or about any Property which require reporting to any governmental authority or are otherwise not in compliance with environmental laws, regulations and orders;

(vii) The Rent Rolls constituting Exhibit E to this Agreement completely and accurately identify as to each Lease as of February 15, 1999: the expiration date of the current term of the Lease; the amount of any security deposit held by Transferor; the current base rental payable under such Lease and future rent escalations; the amount of additional rent (i.e., cost recovery) currently billed to the tenant under the Lease; and the approximate rentable area of the premises. As of February 15, 1999, each Lease identified on the Rent Roll was, to the best of Transferor's knowledge, in full force and effect and, to the best of Transferor's knowledge, Transferor was not in material default thereunder. As of March 1, 1999, Transferor had not received written notice of any material default by Transferor under any Leases, which default had not been cured in all material respects, and Transferor has not delivered any default notice to a tenant under any Lease and, to Transferor's knowledge and except as set forth in the delinquency reports provided by Transferors to Buyer, Transferor was not aware of any other default by a tenant under a Lease as to which default Transferor would customarily have delivered a notice of default to such tenant but has not done so, which defaults have not been cured in all material respects. Transferor has delivered or made available to Buyer copies of all Leases of more than 14,000 square feet or any amendments thereto executed on or before the date of this Agreement;

(viii) As of the date of this Agreement, Transferor has received no written notice that Transferor or any other party is in default under any reciprocal easement agreement or declaration of covenants, conditions, and restrictions or any other similar instrument or agreement affecting any of the Properties (collectively, the "REAs"), which default has not been cured in all Material respects;

(ix) Transferor has not granted any option or right of first refusal or first opportunity to acquire any fee or ground leasehold estate of any portion of the Properties;

(x) As of the date of this Agreement, the Financial Statements delivered to Buyer by Transferor are true and correct in all material respects;

(xi) With respect to the matters contained in the Disclosure Materials List & Statement and the Disclosure Materials, to Transferor's knowledge, Transferor has not willfully and intentionally omitted to state any material facts required to be stated therein or willfully and intentionally made any untrue statement of a material fact, which would render the

Disclosure Materials List & Statement or the Disclosure Materials materially misleading. Transferor has not willfully and intentionally failed to deliver or make available to Buyer all of the following documents in Transferor's immediate possession and has not instructed any third party not to deliver any such documents to Buyer: (x) reports regarding the environmental condition of the Properties or (y) reports obtained in connection with the acquisition of a Property regarding the physical condition and legal compliance of such Property; and

(xii) Transferor has taken the steps described on Exhibit P attached hereto in an effort to cause all computer hardware and software at each Property which is the direct responsibility of Transferor (and not the responsibility of a tenant, vendor or other third party) and which controls utility and other physical operating functions including, without limitation, alarm and other security systems, irrigation systems, lighting systems, health safety systems and similar functions (the "Owner's Computer Systems"), to at all times hereafter provide the following functions: (a) consistently handle date information before, during and after January 1, 2000 including, without limitation, accepting date input, providing date output and performing calculations on dates or portions of dates; (b) function accurately in accordance with the specifications for such computer hardware or software and without interruption before, during and after January 1, 2000, without any change in operations associated with the advent of the new century; (c) respond to two digit date input in a way that resolves any ambiguity as to century in a disclosed, defined and predetermined matter; and (d) store and provide output data information in ways that are unambiguous as to century. To Transferor's knowledge, as of the date of this Agreement, the cost to correct any failure of the Owner's Computer Systems to provide the foregoing functions would not be material (provided, that no representation or warranty is made with respect to any such failure for reasons other than the advent of the new century).

Subject to the provisions of Section 4.4, each of the Transferors shall be jointly and severally liable for the breach of any representation and warranty of a Transferor set forth in this Section 4.1.

* * * * *

For the foregoing purposes, the terms "Transferors' knowledge" or "Transferor's knowledge" or words of similar effect shall mean the current actual, subjective knowledge of Messrs. John Diserens, Michael Coke, Blake Baird and David Fries (collectively, the "Knowledge Persons"), in each case without independent investigation or inquiry, but after inquiry of the current asset managers who are employees of Transferors in its retail division. Such individuals' knowledge shall not include information or material which may be in the possession of any of the Transferors or the named individuals, but of which the named individuals are not actually aware. Transferors shall have no liability for the breach of any representations or warranties absent an arbitrated or judicial finding that the named individuals knowingly withheld information from Buyer with respect to the subject matter of the representation or warranty or falsified information delivered to and relied upon by Buyer and that such action amounted to a violation of a representation or warranty expressly set forth in this Agreement. None of the named individuals whose sole knowledge is imputed to a Transferors under this Section nor any party other than the Transferors affording a representation shall bear responsibility for any breach of such representation.

SECTION 4.2 Transferors' Covenants. Transferors hereby covenants and agrees as follows:

(a) During the Contract Period, Transferors will exercise reasonable and good faith efforts (i) to operate and maintain the Properties in a manner consistent with current practices and (ii) to comply, where such compliance is the obligation of Transferors (and not of a tenant or other party) in all material respects with all material laws and regulations applicable to the Properties;

(b) During the Contract Period, Transferors will not sell or otherwise dispose of any significant items of Personal Property unless replaced with an item of like value, quality and utility;

(c) During the Contract Period, Transferors shall not enter into or modify any Contracts relating to the operation or maintenance of a Property, except for (i) those entered into in the ordinary course of business with parties which are not affiliates of Transferors and (A) which are cancelable upon not more than thirty (30) days prior notice without penalty or premium or (B) which require payments to the applicable vendor of $25,000 or less per year and which, in the aggregate for any individual Property, require payments to the applicable vendors of $50,000 or less per year, or (ii) those otherwise approved by Buyer, which approval shall not be unreasonably withheld and shall be deemed given if Buyer should fail to approve or disapprove proposed Contract matters in writing within 5 business days following Transferor's written request (which shall include all material information necessary to allow Buyer to make an informed decision). At Buyer's written request provided at least five (5) business days prior to the Closing Date, Transferors shall deliver notice of termination on the Closing Date as to any and all Contracts that Buyer desires to terminate, provided that such termination shall be effective following any notice or waiting period for such termination described in the Contract and that Transferors shall not be required to bear any termination or cancellation fee or charge that may be assessed under such Contract based upon an early termination. Notwithstanding the foregoing, Transferors shall terminate all property management agreements and exclusive leasing agreements applicable to the Properties as of the Closing Date, at Transferors' expense;

(d) During the Contract Period, Transferors will not execute or modify in any material fashion any Leases pertaining to premises in excess of 5,000 rentable square feet or any ground lease, other than with Buyer's prior consent, which shall be deemed given if Buyer (in the person of Burnham Pacific Properties, Inc.'s chief investment officer or chief operating officer) should fail to approve or disapprove proposed lease matters in writing within 5 business days following Transferors' written request (which shall include all material information necessary to allow Buyer to make an informed decision). Buyer shall exercise its rights of approval of leasing matters reasonably and in good faith. With respect to new Leases or Lease amendments pertaining to premises of 5,000 rentable square feet or less, Transferors shall have the right to enter into new Leases or amendments without any need to obtain Buyer's consent, provided that (A) such new Lease or amendment is entered into on an arm's length basis and the applicable Transferors believes in its good faith reasonable discretion that it is entering into such new Lease or modification on market terms (B) such new Lease or amendment does not provide for a cap on the pass through of cost recoveries or exclude the recovery of management fees, (C) such new Lease or amendment does not contain a material change to the assignment provision of

Transferors' standard lease form in use at the applicable Property (the "Standard Form"), (D) with respect to a new Lease, Transferors initiated negotiations with such tenant using the Standard Form and any changes thereto are consistent with Transferors' standard leasing practices, and (E) Buyer is provided with a copy of the executed Lease or modification documents within a reasonable period after such documents are executed. Transferors shall use reasonable efforts to continue to seek leases for the Properties in a manner consistent with present practice;

(e) During the Contract Period, Transferors shall not voluntarily create, consent to or acquiesce in the creation of liens or exceptions to title without Buyer's prior written consent, provided that Buyer shall not unreasonably withhold or delay consent to any proposed matters affecting title necessary to maintain or enhance the value of the pertinent Property;

(f) During the Contract Period, Transferors shall maintain its currently effective policies of property insurance and rental loss insurance for the Improvements;

(g) During the Contract Period, Transferors shall use commercially reasonable efforts (but at no material cost to Transferors except as may otherwise be expressly provided in this Agreement) to obtain all third party and governmental approvals and consents necessary to consummate the transactions contemplated hereby;

(h) During the Contract Period, Transferors shall maintain their books accounts and records in a manner consistent with past practice;

(i) During the Contract Period, Transferors shall observe and comply with the material terms and conditions of all Contracts, Leases, Property licenses, and Property approvals;

(j) During the Contract Period, Transferors shall not knowingly and intentionally take any action which would cause the representations and warranties contained in Section 4.1 (other than as permitted in this Agreement) to cease to be true and correct in all material respects as

of the Closing Date as though then made;

(k) During the Contract Period, Transferors shall comply in all material respects with all existing easements, covenants, conditions, restrictions and other encumbrances affecting any Property;

(l) During the Contract Period, Transferors shall reasonably cooperate with Buyer, but at no cost to Transferors, (i) to assist Buyer in obtaining environmental insurance coverage for the Properties (provided, that in no event shall Buyer have the right to perform any environmental testing in connection with obtaining such insurance) and (ii) to enable Buyer to exercise and close on the Applewood Option (as defined in the Disclosure Materials List & Statement) and, at Buyer's written request, with respect to any other similar options or rights described on Exhibit V attached hereto, as soon as possible after the closing, provided such option(s) shall not be exercised or caused to be exercised by Buyer prior to the closing and Transferors shall not be required to exercise such option(s) prior to the closing);

(m) During the Contract Period, but subject to the provisions of Sections 2.4 and 2.5, Transferors shall permit Buyer, and Buyer's lenders and its representatives, to have

reasonable access (upon reasonable notice, during normal business hours and, if required by Transferors, accompanied by a representative of Transferors) to the books, records and Properties, and, with Transferors' prior approval not to be unreasonably withheld, tenants, parties to REAs, parties to options and rights of first refusal, and parties to management agreements and Contracts, in order to assist Buyer in its management transition with respect to the Properties and to provide information to its lenders that is reasonably requested by them;

(n) As a courtesy to Buyer, during the Contract Period, Transferors shall use reasonable efforts to provide Buyer with copies of any written notices received by Transferors during the Contract Period, which notices relate to matters described in Section 4.1(b)(i), (ii), (iii), (iv), (vi), (vii) or (viii); provided, that notwithstanding anything to the contrary contained in this Agreement, Transferors shall have no liability whatsoever to Buyer as a result of its failure to comply with the provisions of this Section 4.2(n);

(o) During the Contract Period, Transferors shall provide reasonable access to the Disclosure Materials (upon reasonable notice and during normal business hours) and the right to copy such materials (at no cost to Transferors) in order to assist Buyer in its management transition with respect to the Properties and to provide information to its lenders that is reasonably requested by them;

(p) During the Contract Period, Transferors shall meet and confer with Buyer on a regular basis to discuss leasing activity at the Properties and the status of work described in Section 6.9 and shall provide Buyer at such meetings or otherwise reasonably detailed information regarding the costs incurred with respect to, and the costs anticipated to complete, such work;

(q) During the Contract Period, Transferors shall notify Buyer of any litigation filed against Transferors during the Contract Period within a reasonable period of time after Transferors are made aware of such litigation and Exhibit W shall be revised to include such litigation; and

(r) During the Contract Period, to the extent Transferors have a right of first offer or right of first refusal to purchase any real property related to any of the Properties and Transferors receive written notice that the period for exercising such right has commenced, Transferors shall promptly notify Buyer and Buyer shall have the right, by written notice to Transferors, to request that at closing Transferors assign such right to Buyer (if assignable) or use reasonable efforts to cause the applicable property to be direct deeded to Buyer; provided, that in no event shall Transferors have any liability or incur any cost with respect to such property or be required to take title to such property, and Buyer shall deliver to Title Company at the times required in connection with such right to purchase, and remain responsible for, any funds to be paid in connection with the acquisition of such property.

SECTION 4.3 Buyer's Warranties and Representations. Buyer hereby represents and warrants to Transferors that the following are true as of the date of this Agreement:

(a) Buyer is a duly formed and validly existing limited liability company under the law of the state of its formation and is (or on the Closing Date will be) in good

standing under the laws of the states where each Property is located and Buyer has the full right, authority and power to enter into this Agreement, to consummate the transactions contemplated herein and to perform its obligations hereunder and under those documents and instruments to be executed by it at the closing, and each of the individuals executing this Agreement on behalf of Buyer is authorized to do so, and this Agreement constitutes a valid and legally binding obligation of Buyer enforceable against Buyer in accordance with its terms.

(b) Buyer's execution and delivery of this Agreement, the consummation of the transactions contemplated hereby and the performance of Buyer's obligations under the instruments required to be delivered by Buyer at the closing, do not and will not result in any material violation of, or material default under, any term or provision of any agreement, instrument, mortgage, loan agreement or similar document to which Buyer is a party or by which Buyer is bound.

(c) There is no litigation, investigation or proceeding pending or, to the best of Buyer's knowledge, contemplated or threatened against Buyer which would impair or adversely affect Buyer's ability to perform its obligations under this Agreement or any other instrument or document related hereto.

SECTION 4.4 Survival/Limitations.

(a) Subject to subsection (b) below, the parties agree that Transferors' warranties and representations contained in Sections 4.1 (a) and (b) of this Agreement shall survive Buyer's purchase of the Properties and the Closing Date for a period ending 180 calendar days following the Closing Date (the "Limitation Period"). Such termination as of the close of the Limitation Period shall apply to known as well as unknown breaches of such warranties or representations. Subject to subsection (b) below, Buyer's waiver and release set forth in Section 2.4 shall apply fully to liabilities under such representations and warranties. Buyer specifically acknowledges that such termination of liability represents a material element of the consideration to Transferors.

(b) Any claim of Buyer based upon a breach of any representation or warranty or covenant or a claim under any indemnity contained in this Agreement or any representation, warranty, covenant or indemnity contained in any other document or instrument delivered by Transferors to Buyer at closing (collectively a "Breach") shall be expressed, if at all, in writing setting forth in reasonable detail the basis and character of the claim (a "Claim Notice"), and, in the case of a Breach of Transferors' representations and warranties contained in this Agreement or a Breach of a covenant contained in Section 4.2 hereof only, shall be delivered to Transferors prior to the expiration of the Limitation Period. Notwithstanding the foregoing, Buyer's right to make and recover any claim pursuant to a Claim Notice shall be subject to the following: (i) any matters identified by Buyer during the Confirmation Period which would represent both a breach of representation and result in a Material Adverse Matters Amount shall be treated solely as the latter and shall not be the subject of any claim for breach of representation under this Article IV, (ii) with respect to a Breach of Transferors' representations and warranties contained in this Agreement, or a Breach of a covenant contained in Section 4.2 hereof or a Breach under an indemnity contained in the Assignments of Intangibles or the Assignments of Leases (as such terms are defined in Section 6.1(a) below), Buyer shall not make any claim on account of such

Breach unless and until (A) the aggregate measure of such claims with respect to a Property exceeds $200,000, and (B) the aggregate measure of such claims with respect to all of the Properties exceeds $750,000 (the "Threshold"), in which event Buyer's claim shall be limited to an amount equal to (x) the amount by which such aggregate exceeds the Threshold, plus (y) an amount equal to two-thirds of the Threshold, (iii) Transferors' aggregate liability for claims arising out of all Breaches (i.e., those described in clause (ii) above as well as all other Breaches) shall not, in the aggregate, exceed an amount equal to three percent (3%) of the aggregate Price for all of the Properties acquired by Buyer exclusive of the amounts of any insurance proceeds actually received by Transferors which are to be applied to Claims pursuant to Section 2.4(e), and (iv) Buyer shall have the right to deliver to Transferors Claim Notices with respect to any Breach discovered by Buyer prior to the Closing Date solely if such notice is delivered prior to the Closing Date. Notwithstanding the foregoing, with respect to a Claim Notice asserting a breach of the representation contained in Section 4.1(b)(vii), the following shall be substituted for the provisions of clause (ii) of this Section 4.4(b): (ii) Buyer shall not make any claim on account of a breach of the representation and warranty contained in Section 4.1(b)(vii) with respect to any Property unless and until the aggregate measure of such claims with respect to all Properties exceeds $50,000, and only to the extent that such aggregate exceeds $50,000. For purposes of this Section 4.4(b) (and without limiting the introductory paragraph of Section 4.1), a Breach shall be deemed to be discovered by Buyer prior to the Closing Date only to the extent that any of David Martin, Daniel Platt, Joseph

Byrne, Scott Verges, John Waters, Jim Gaube or Guy Jacquier has actual, subjective knowledge of the facts or circumstances giving rise to such breach of representation or warranty or Section 4.2 covenants. Following receipt of such a pre-closing Claim Notice with respect to which Buyer has the right to make and recover a claim as aforesaid, Transferors may elect, by written notice to Buyer given not later than the first to occur of the date that is ten (10) business days following the date of the Claim Notice or the Closing Date, to terminate this Agreement as to the Property to which such pre-closing Claim Notice relates and such Property shall be treated as a Deleted Property and Buyer shall not be entitled to any damages in connection therewith. If Transferors fail to elect to treat any Property which is the subject of a pre-closing Claim Notice as a Deleted Property, the closing as to such Property shall be conducted on the Closing Date. As to pre-closing Claim Notices with respect to which Transferors do not elect to treat the affected Property as a Deleted Property and as to all Claim Notices received by Transferors following the Closing Date as to which Buyer has the right to make and recover a claim as aforesaid, Buyer shall have the right after (but not before) the Closing Date to proceed against Transferors for actual monetary damages based upon such Claim Notice -- subject to the cure rights set forth in subparagraph (c) below and the limitations set forth above and in the remaining sentences of this subparagraph. Notwithstanding anything to the contrary provided in this Agreement, in no event shall Transferors be liable to Buyer for any consequential or punitive damages based upon any breach of this Agreement, including breaches of representation or warranty. Subject to applicable principles of fraudulent conveyance, in no event shall Buyer seek satisfaction for any obligation from any shareholders, officers, directors, employees, agents, legal representatives, successors or assigns of such trustees or beneficiaries, nor shall any such person or entity have any personal liability for any such obligations of any Transferors.

(c) The Transferors who have committed a Breach for which a Claim Notice has been received shall have a period of 30 days within which to cure such breach, or, if such breach cannot reasonably be cured within 30 days, an additional reasonable time period of up to

an additional 60 days, so long as such cure has been commenced within such 30 days and is at all times diligently pursued. If the Breach is not cured after actual written notice and within such cure period, Buyer's sole remedy shall be an action at law for damages against the breaching Transferor or Transferors, which must be commenced with respect to a Breach of a representation or warranty contained in this Agreement or a Breach of a covenant contained in Section 4.2 hereof, if at all, within the Limitation Period; provided, however, that if within the Limitation Period Buyer gives a Claim Notice and the Transferors commence to cure and thereafter terminate such cure effort or fail in such cure effort, Buyer shall have an additional 30 days from the date of written notice from the Transferors of such termination or the expiration of such cure period within which to commence an action at law for damages as a consequence of the failure to cure. The existence or pendency of such cure rights shall not delay the Closing Date as to a Property not designated as a Deleted Property. The provisions of this Section 4.4 shall survive the closing or any termination of this Agreement.

ARTICLE 5
DEPOSIT; DEFAULT

SECTION 5.1 Buyer's Default & Deposit.

(a) Substantially concurrently with the execution and delivery of this Agreement, Buyer shall deliver to Title Company, for deposit into the escrow described in Section 6.1 below, cash in an amount equal to Nine Million Dollars ($9,000,000), which amount shall be increased on April 30, 1999 by an additional Three Million Two Hundred Fifty Thousand Dollars ($3,250,000) (collectively, the "Deposit"). In the event that this transaction is consummated as contemplated by this Agreement, then the entire amount of the Deposit, together with any interest accrued thereon, whether in cash or in the form of a Letter of Credit (as herein defined) shall be returned to Buyer and in no event shall the Deposit be credited against the Price. The entire amount of the Deposit (or the portion of the Deposit allocable to Properties with respect to which Transferors refuse to perform their material closing obligations), together with any interest accrued thereon, shall be returned immediately to Buyer in the event that the transaction fails to close due to termination of this Agreement pursuant to Section 5.2. IN THE EVENT THE TRANSACTION CONTEMPLATED BY THIS AGREEMENT SHOULD FAIL TO CLOSE AS A RESULT OF BUYER'S DEFAULT HEREUNDER, THE ENTIRE AMOUNT OF THE DEPOSIT, PLUS ACCRUED INTEREST, (AND TO THE EXTENT THE DEPOSIT IS IN THE FORM OF A LETTER OF CREDIT, TITLE COMPANY SHALL IMMEDIATELY MAKE DEMAND FOR THE PRINCIPAL AMOUNT OF THE LETTER OF CREDIT) SHALL BE PAID BY THE TITLE COMPANY TO TRANSFERORS AS LIQUIDATED DAMAGES (THE "LIQUIDATED AMOUNT"). BUYER AND TRANSFERORS HEREBY ACKNOWLEDGE AND AGREE THAT TRANSFERORS' DAMAGES IN THE EVENT OF SUCH A BREACH OF THIS AGREEMENT BY BUYER WOULD BE DIFFICULT OR IMPOSSIBLE TO DETERMINE, THAT THE AMOUNT OF THE DEPOSIT PLUS ACCRUED INTEREST IS THE PARTIES' BEST AND MOST ACCURATE ESTIMATE OF THE DAMAGES TRANSFERORS WOULD SUFFER IN THE EVENT THE TRANSACTION PROVIDED FOR IN

THIS AGREEMENT FAILS TO CLOSE, AND THAT SUCH ESTIMATE IS REASONABLE UNDER THE CIRCUMSTANCES EXISTING ON THE DATE OF THIS AGREEMENT. BUYER AND TRANSFERORS

AGREE THAT TRANSFERORS' RIGHT TO RETAIN THE DEPOSIT PLUS ACCRUED INTEREST SHALL BE THE SOLE REMEDY OF TRANSFERORS IN THE EVENT OF A BREACH OF THIS AGREEMENT BY BUYER.

ACCEPTED AND AGREED TO:

_____ _____

BUYER'S INITIALS TRANSFEROR'S INITIALS

This Section 5.1 is intended only to liquidate and limit Transferors' rights to damages arising due to Buyer's failure to purchase the Properties and shall not limit the indemnification or other obligations of (i) Buyer's constituent partners pursuant to the Confidentiality Agreement dated January 25, 1999 executed by Burnham Pacific Properties, Inc. for the benefit of Transferors (the "BP Confidentiality Agreement") and the Confidentiality Agreement dated January 25, 1999 executed by the State of California Public Employees' Retirement System ("Calpers") for the benefit of Transferors (the "Calpers Confidentiality Agreement;" which, together with the BP Confidentiality Agreement, are collectively referred to as the "Confidentiality Agreements") or (ii) Buyer pursuant to (A) any other documents delivered pursuant to this Agreement or (B) Sections 2.4(b), 2.4(e), 7.2, 7.9 and 7.13 of this Agreement. In the event that any Property becomes a Deleted Property pursuant to the provisions of this Agreement, then Buyer shall have the right to cause Title Company to withdraw from the escrow and pay to Buyer (or to reduce any letter of credit, as applicable, by) an amount equal to the product of (x) the Deposit (and interest accruing thereon) and (y) the quotient expressed as a percentage, of the Allocated Price with respect to such Deleted Property and the total Price.

(b) In the event that Transferors are entitled to the Deposit pursuant to Section 5.1 hereof, an amount equal to the lesser of (i) the Liquidated Amount or (ii) the sum of (A) the maximum amount that can be paid to Transferors without causing Transferors (or any of their constituent partners) to fail to meet the requirements of Sections 856(c)(2) and 856(c)(3) of the Code, determined as if the payment of such amount did not constitute income described in Section 856(c)(2)(A)-(H) and 856(c)(3)(A)-(I) of the Code ("Qualifying Income"), as determined by Transferors' accountants, plus (B) in the event Transferors receive either (x) a letter from Transferors' counsel prior to the Closing Date indicating that Transferors (or their constituent partners, as applicable) has received a ruling from the Internal Revenue Service (the "IRS") described in clauses (ii) or (iii) of the following paragraph, or (y) an opinion from Transferors' (or their constituent partners', as applicable) counsel as described in clause (iv) of the following paragraph, an amount equal to the Liquidated Amount less the amount payable under clause (A) above, and any balance of the Liquidated Amount (the "Balance") shall be retained by Title Company in escrow in accordance with the terms of an escrow (subject to the terms of the following paragraph) being otherwise agreed upon by Transferors and the escrow agent.

(c) The escrow agreement described in Section 5.1(b) shall provide that the amount in escrow or any portion thereof shall not be released to Transferors except to the extent the escrow agent receives any one or combination of the following: (i) a letter from Transferors' accountants indicating the maximum amount that can be paid by the escrow agent to Transferors without causing Transferors (or any of their constituent partners, as applicable) to fail to meet the

requirements of Sections 856(c)(2) and 856(c)(3) of the Code, determined as if the payment of such amount did not constitute Qualifying Income, in which case the escrow agent shall release the amount indicated in such letter to Transferors, (ii) a letter from Transferors' (or any of their constituent partner's, as applicable) counsel indicating that Transferors (or any of its constituent partners, as applicable) received a ruling from the IRS holding that the receipt by Transferors (or any of their constituent partners, as applicable) of the Liquidated Amount would either constitute Qualifying Income or would be excluded from gross income within the meaning of Sections 856(c)(2) and 856(c)(3) of the Code, in which case the escrow agent shall release the Balance to Transferors, (iii) a letter from Transferors' (or any of their constituent partners' as applicable) counsel indicating that Transferors (or any of their constituent partners, as applicable) received a ruling from the IRS holding that the receipt by a Transferor (or its constituent partner, as applicable) of the Balance following the receipt of and pursuant to such ruling would not be deemed constructively received prior thereto or (iv) an opinion of a Transferor's (or its constituent partner's, as applicable) legal counsel to the effect that the receipt by a Transferor (or its constituent partner, as applicable) of the

Liquidated Amount would either constitute Qualifying Income or would be excluded from gross income within the meaning of Sections 856(c)(2) and 856(c)(3) of the Code, in which case the escrow agent shall release the Balance to Transferors. Buyer and Title Company agree to act reasonably and cooperate with Transferor in order (x) to maximize the portion of the Liquidated Amount that may be distributed to Transferors hereunder without causing a Transferor (or its constituent partner, as applicable) to fail to meet the requirements of Sections 856(c)(2) and 856(c)(3) of the Code or (y) to improve a Transferor's (or any of their constituent partner's, as applicable) chances of securing a favorable ruling described in this Section 5.1(c), provided that, except as otherwise provided in this Agreement, Buyer and Title Company shall not be required to incur any out-of-pocket costs in connection therewith. The escrow agreement shall also provide that any portion of the Liquidated Amount then held in escrow after the expiration of five (5) years from the date of the establishment of such escrow shall be released by the escrow agent to Buyer. Buyer shall not be a party (other than a contingent beneficiary as described above) to such escrow arrangements and shall not bear any cost of or have liability resulting from such escrow arrangements.

SECTION 5.2 Transferors' Default. If (a) the conditions precedent set forth in Section 3.1(b) shall have been satisfied or waived (provided that for purposes of this Section Buyer shall not be required to tender formally the Price but only demonstrate the commitment of immediately available funds to pay such Price) and (b) Transferors shall refuse to perform their material closing obligations under this Agreement (e.g., by refusing to convey a Property to Buyer at Closing), then Buyer's sole and exclusive remedy shall be either (i) to receive back the Deposit in the event Transferors refused to perform their material closing obligations with respect to all of the Properties (or the portion of the Deposit allocable to Properties with respect to which Transferors refuse to perform their material closing obligations) plus all accrued interest thereon or (ii) to pursue an action for specific performance on a Property by Property basis as to those Properties with respect to which Transferors refuse to perform their material closing obligations ; provided, that notwithstanding anything to the contrary contained herein, Buyer's right to pursue an action for specific performance is expressly conditioned on Buyer not being in default or having defaulted in any material respect under any other material agreement in which Buyer or any of its constituent members and any of the Transferors is a party and which was entered into on or after March 1, 1999. Subject to the foregoing, Buyer acknowledges that Buyer's remedies for Transferor's failure to perform all of its material obligations under this

Agreement with respect to the sale or exchange of a particular Property but less than all of the Properties shall be exclusively governed by the provisions of Section 3.2 above. Nothing contained in this Section 5.2 is intended to limit Buyer's rights under Sections 7.2, 7.9 and 7.13 of this Agreement.

SECTION 5.3 Solicitation; Negotiations.

(a) Unless and until this Agreement shall have been terminated in accordance with its terms, the Transferors agree and covenant that (i) neither Transferors nor any of their respective subsidiaries or affiliates nor AMB Property Corporation, a Maryland corporation, which is AMBLP's general partner (the "Company"), shall, and each of them shall direct and use their best efforts to cause their respective officers, directors, employees, agents and representatives (including, without limitation, any investment banker, attorney or accountant retained by it or any of its subsidiaries) not to, directly or indirectly, initiate, solicit or encourage any inquiries or the making or implementation of any proposal or offer with respect to a merger, acquisition, or similar transaction involving the direct or indirect purchase of the Properties (any such proposal or offer being hereinafter referred to as an "Acquisition Proposal") or engage in any negotiations with, or provide any confidential information or data to, or have any discussions with, any person relating to, an Acquisition Proposal, or otherwise facilitate any effort or attempt to make or implement an Acquisition Proposal.

(b) Notwithstanding anything set forth in this Agreement to the contrary, the Board of Directors of the Company may furnish information to or enter into discussions or negotiations with any person that makes an unsolicited bona fide proposal to purchase all or a portion of the Properties having aggregate Allocated Price of at least eighty-five percent (85%) of the aggregate Price of all of the Properties, whether by merger, purchase of partnership interests or assets or otherwise (a "Proposal"), if the Board of Directors of the Company determines in good faith that the Proposal, if consummated as proposed, would result in a transaction more favorable to the Company's stockholders from a financial point of view than the transactions contemplated by this Agreement (any such Proposal being referred to herein as a "Superior Proposal"). If the Board of Directors of the Company is prepared to accept the Superior Proposal, then Transferors shall have the right to terminate this Agreement by giving Buyer 48 hours notice that the Board of Directors is prepared to accept the Superior Proposal, instructing the Title Company to return the Deposit to Buyer and in addition paying Buyer a termination fee in the amount of the then current Deposit (as increased or decreased from time to

time pursuant to this Agreement) (excluding the amount of any remaining Deposit allocable to any Properties which were previously designated as Deleted Properties) (the "Termination Fee"). The return of the Deposit (and all interest accrued thereon) and the additional payment of the Termination Fee shall be Buyer's sole and exclusive remedy in the event of a termination pursuant to this Section 5.3

(c) In addition to the provisions set forth in Sections 5.3(a) and 5.3(b) hereof, nothing in this Agreement shall be deemed to prevent in any manner the taking of any action by the Company with respect to any merger, consolidation or sale of all or substantially all of the assets of the Company or any of the Transferors, in the event that the Board of Directors of the Company shall determine, based on advice of outside legal counsel, that the failure to take such action would be inconsistent with such Board of Directors' fiduciary duties to the Company's

stockholders under applicable law. In the event that such action would be inconsistent with the transactions contemplated hereby, then Transferors shall have the right to terminate this Agreement by giving Buyer 48 hours notice that such Board of Directors is prepared to take such action, instructing the Title Company to return the Deposit to Buyer and in addition paying Buyer the Termination Fee. The return of the Deposit and the additional payment of the Termination Fee shall be Buyer's sole and exclusive remedy in the event of a termination pursuant to this Section 5.3.

(d) In the event that Transferors are obligated to pay Buyer the Termination Fee, Transferors shall pay to Buyer an amount equal to the lesser of (i) the Termination Fee or (ii) the sum of (A) the maximum amount that can be paid to Buyer without causing Buyer (or any of its members) to fail to meet the requirements of Sections 856(c)(2) and 856(c)(3) of the Code, determined as if the payment of such amount did not constitute income described in Section 856(c)(2)(A)-(H) and 856(c)(3)(A)-(I) of the Code ("Qualifying Income"), as determined by Buyer's accountants, plus (B) in the event Buyer receives either (x) a letter from Buyer's counsel prior to the Closing Date indicating that Buyer (or its members, as applicable) has received a ruling from the Internal Revenue Service (the "IRS") described in clauses (ii) or (iii) of the following paragraph, or (y) an opinion from Buyer's (or its member's, as applicable) counsel as described in clause (iv) of the following paragraph, an amount equal to the Termination Fee less the amount payable under clause (A) above, and any balance of the Termination Fee (the "Balance") shall be deposited by Transferors in escrow in accordance with the next succeeding sentence with the Title Company or other escrow agent selected by Buyer and reasonably acceptable to Transferors. Transferors shall deposit into such escrow an amount in immediately available federal funds equal to the Balance, with the terms of such escrow (subject to the terms of the following paragraph) being otherwise agreed upon by Buyer and the escrow agent. All payments by Transferors pursuant to this paragraph shall be made by wire transfer or bank check within thirty (30) days after demand by Buyer. Payment to Buyer of the amounts set forth in this Section 5.3(d) and, if applicable, deposit into escrow of the Balance, shall satisfy Transferors' obligations in full under the terms and conditions of this Section 5.3.

(e) The escrow agreement described in Section 5.3(d) shall provide that the amount in escrow or any portion thereof shall not be released to Buyer except to the extent the escrow agent receives any one or combination of the following: (i) a letter from Buyer's accountants indicating the maximum amount that can be paid by the escrow agent to Buyer without causing Buyer (or its member, as applicable) to fail to meet the requirements of Sections 856(c)(2) and 856(c)(3) of the Code, determined as if the payment of such amount did not constitute Qualifying Income, in which case the escrow agent shall release the amount indicated in such letter to Buyer, (ii) a letter from Buyer's (or its member's, as applicable) counsel indicating that Buyer (or its member, as applicable) received a ruling from the IRS holding that the receipt by Buyer (or its member, as applicable) of the Termination Fee would either constitute Qualifying Income or would be excluded from gross income within the meaning of Sections 856(c)(2) and 856(c)(3) of the Code, in which case the escrow agent shall release the Balance to Buyer, (iii) a letter from Buyer's (or its member's, as applicable) counsel indicating that Buyer (or its member, as applicable) received a ruling from the IRS holding that the receipt by Buyer (or its member, as applicable) of the Balance following the receipt of and pursuant to such ruling would not be deemed constructively received prior thereto or (iv) an opinion of Buyer's (or

its member's, as applicable) legal counsel to the effect that the receipt by Buyer (or its member, as applicable) of the Termination Fee would either constitute Qualifying Income or would be excluded from gross income within the meaning of Sections 856(c)(2) and 856(c)(3) of the Code, in which case the escrow agent shall release the Balance to Buyer. Transferors agree to act reasonably and cooperate with Buyer in order (x) to maximize the portion of the

Termination Fee that may be distributed to Buyer hereunder without causing Buyer (or its member, as applicable) to fail to meet the requirements of Sections 856(c)(2) and 856(c)(3) of the Code or (y) to improve Buyer's (or its member's, as applicable) chances of securing a favorable ruling described in this Section 5.3(e), provided that Transferors shall not be required to incur any out-of-pocket costs in connection therewith. The escrow agreement shall also provide that any portion of the Termination Fee then held in escrow after the expiration of five (5) years from the date of the establishment of such escrow shall be released by the escrow agent to Transferors. Transferors shall not be a party (other than a contingent beneficiary as described above) to such escrow arrangements and shall not bear any cost of or have liability resulting from such escrow arrangements.

SECTION 5.4 Letter of Credit. In lieu of depositing the Deposit in cash pursuant to this Agreement, or after depositing the Deposit in cash, in substitution for all or any portion of the cash Deposit, Buyer may deliver to Title Company an unconditional and irrevocable letter of credit in favor of Title Company, in form reasonably satisfactory to Transferors and Title Company, drawn upon a state or national bank reasonably approved by Transferors and Title Company, which letter of credit shall (i) expire no earlier than fifteen (15) days after the scheduled Closing Date (as such date may be changed with respect to all of the Properties or a particular Property pursuant to this Agreement), (ii) be capable of being drawn on by Title Company upon demand (subject to customary draw procedures and requirements) and (iii) otherwise be in form and substance reasonably satisfactory to Transferors and Title Company (the "Letter of Credit"). The Letter of Credit shall secure the faithful performance and observance by Buyer of the terms, provisions, and conditions of this Agreement in the same manner and to the same extent as the Deposit. The Letter of Credit shall be held and disbursed by Title Company in the same manner as the Deposit, except that:

(a) if the term of the Letter of Credit will expire prior to the then scheduled Closing Date (as such date may be changed with respect to all of the Properties or a particular Property pursuant to this Agreement), and such Letter of Credit is not extended or a new Letter of Credit for an extended period of time is not substituted within five (5) business days prior to the expiration date of the Letter of Credit, then Title Company shall make demand for the principal amount of the Letter of Credit prior to the expiration date of the Letter of Credit and hold such funds in the same manner as the Deposit pursuant to this Agreement;

(b) if Title Company continues to hold the Letter of Credit at closing and the closing occurs as contemplated by this Agreement, subject to (c) below such Letter of Credit shall be returned to Buyer at closing; and

(c) in any instance in which a portion of the Deposit is to be returned to Buyer pursuant to this Agreement or in which a closing occurs and subsequent closings are contemplated due to the deferral of the closing with respect to one or more of the Properties and in order to do so the amount of the Letter of Credit would have to be reduced, the Title Company shall continue to hold the Letter of Credit in the manner set forth in and subject to the provisions

of this Section 5.4 until Buyer has provided a substitute Letter of Credit in the amount of the Deposit as so reduced.

ARTICLE 6
CLOSING

SECTION 6.1 Escrow Arrangements. One or more escrows (to the extent more than one escrow is necessary to accommodate Transferors' 1031 Exchange(s)) for the purchase and sale contemplated by this Agreement shall be opened by Buyer and Transferors with Title Company. At least one business day prior to the Closing Date, Transferors and Buyer shall each deliver escrow instructions to Title Company consistent with this Article VI, and designating Title Company as the "Reporting Person" for the transaction pursuant to Section 6045(e) of the Code. By signing below, Title Company agrees to act as the "Reporting Person" for the transaction pursuant to Section 6045(e) of the Code and to complete and file with the IRS Forms 1099-S (and furnish Buyer and Transferors with copies thereof) on or before the due date therefor. In addition, the parties shall deposit in escrow, at least one business day prior to the Closing Date (unless otherwise provided below in this Section 6.1) the funds and documents described below:

(a) Transferors shall deposit (or cause to be deposited):

(i) a duly executed and acknowledged deed pertaining to the Real Property portion of each of the Properties, each in the form attached to this Agreement as Exhibit I-A (collectively, the "Deeds");

(ii) a duly executed bill of sale pertaining to

the Personal Property portion of each of the Properties, each in the form attached to this Agreement as Exhibit I-B (collectively, the "Bills of Sale");

(iii) a duly executed counterpart assignment and assumption pertaining to the Intangible Property portion of each of the Properties, each in the form attached to this Agreement as Exhibit I-C (collectively, the "Assignments of Intangibles");

(iv) a duly executed counterpart assignment and assumption pertaining to the Leases, each in the form attached to this Agreement as Exhibit I-D (collectively, the "Assignments of Leases");

(v) a certificate from each Transferors certifying the information required by any of the states in which any of the Properties are located to establish that the transaction contemplated by this Agreement is exempt from the tax withholding requirements of such states (the "State Certificates");

(vi) a certificate from each Transferors certifying the information required by 1445 of the Code to establish, for the purposes of avoiding Buyer's tax withholding obligations, that Transferors is not a "foreign person" as defined in 1445(f)(3) of the Code (the "FIRPTA Certificate");

(vii) a letter executed by each respective Transferors and, if applicable, its respective management agent and the Buyer, in form and substance satisfactory to Buyer, addressed to all tenants of each respective Property, notifying all such tenants of the transfer of ownership of the Property and directing payment of all rents accruing after the Closing Date to be made to Buyer or such other party as Buyer directs (the "Tenant Notices");

(viii) to the extent not previously delivered to Buyer and in Buyer's possession or under its control, originals of any of the Contracts, Leases, licenses, approvals, plans, specifications, warranties, other Intangible Property and other books and records relating to the ownership and operation of the Property (or if the original is not in the Transferors' possession or control, copies thereof to the extent in Transferors' possession or control);

(ix) an updated Rent Roll for each Property in the same format as was used for the Rent Rolls attached hereto as Exhibit E or in such other format as is reasonably acceptable to Buyer dated no later than five (5) days prior to closing, which updated Rent Roll will be used solely for the purpose of (i) identifying all Leases at such Property as of the applicable Closing Date and (ii) allowing the Title Company to issue Buyer's title insurance policies subject to no exception for parties in possession other than the Leases identified in the Rent Roll;

(x) subject to the provisions of Section 2.6, such affidavits as may be reasonably and customarily required by the Title Company to issue the Title Policies in the form required hereby (including, without limitation, without exception for parties-in-possession (other than tenants under the Leases) or mechanics' or materialmen's liens which are to be satisfied by Transferors pursuant to Section 2.6);

(xi) the Remediation and Access Agreement (as herein defined); and

(xii) evidence reasonably satisfactory to the Title Company as to the legal existence and authority of the Transferors and the authority and incumbency of the persons signing documents on behalf of the Transferors.

In addition, Transferors shall deliver to Buyer on the Closing Date, outside of escrow, to the extent in Transferor's possession or control, the originals of all Leases, Contracts and tenant files and all keys to the Properties.

(b) Buyer shall deposit:

(i) on or prior to the close of business on the business day immediately prior to the Closing Date, immediately available funds sufficient to pay the balance of the Price, plus sufficient additional cash to pay Buyer's share of all escrow costs and closing expenses;

(ii) a duly executed counterpart for each of the Assignments of Intangibles, Assignments of Leases and Remediation and Access Agreement (and Tenant Notices where required);

(iii) a certificate duly executed by Buyer in favor

of Transferors confirming the waivers and acknowledgments set forth in Sections 2.5 and 4.4 above; and

(iv) evidence reasonably satisfactory to Title Company as to the legal existence and authority of the Buyer and the authority and incumbency of the persons signing documents on behalf of the Buyer.

SECTION 6.2 Title. Title Company shall close escrow on the Closing Date by:

(a) recording the Deeds;

(b) issuing the owner's title policies to Buyer pursuant to Section 3.1(a)(i) above;

(c) delivering to Buyer originals of the Bills of Sale, the FIRPTA Certificate, the State Certificates, executed counterparts of each of the Assignments of Intangibles, Assignments of Leases and Remediation and Access Agreement and all of the other documents in escrow under Section 6.1(a);

(d) delivering to Transferors (or the exchange facilitator(s), as applicable) (i) a counterpart for each of the Assignments of Intangibles, the Assignments of Leases and the Remediation and Access Agreement executed by Buyer, (ii) the certificate described in Section 6.1(b)(iii) above, (iii) funds in the amount of the Sale Purchase Price, as adjusted for credits, adjustments, prorations and closing costs in accordance with Section 2.3 and this Article VI and as allocated pursuant to the direction of the Transferors (upon which allocation Buyer and Title Company shall have the right to conclusively rely) and (iv) funds in the amount of the Exchange Price, as adjusted for credits, adjustments, prorations and closing costs in accordance with Section 2.3 and this Article VI and as allocated pursuant to the direction of the Transferors (upon which allocation Buyer and Title Company shall have the right to conclusively rely); and

(e) if directed by the parties, delivering the Tenant Notices to the tenants by certified mail, return receipt requested.

SECTION 6.3 Prorations.

(a) Taxes. Real estate taxes, personal property taxes and any general or special assessments with respect to the Properties which are not the direct payment obligation of tenants pursuant to the Leases (as opposed to a reimbursement obligation) shall be prorated as of the Closing Date -- to the end that Transferors shall be responsible for all taxes and assessments that are allocable to any period prior to the Closing Date and Buyer shall be responsible for all taxes and assessments that are allocable to any period from and after the Closing Date. Notwithstanding anything to the contrary contained herein, in regards to Real Property located in the States of Illinois and Colorado, (A) general real estate taxes which are not the direct or indirect (as a reimbursement obligation) payment obligations of tenants pursuant to the Leases and which are payable for the tax year prior to the tax year in which the closing occurs and all prior years shall be paid by Transferors (including any installments thereof payable after the Closing Date) and (B) general real estate taxes which are not the direct or indirect (as a reimbursement obligation) payment obligations of tenants pursuant to the Leases and which are

payable for the tax year in which the closing occurs shall be prorated by Transferors and Buyer as of the Closing Date. If the actual amount of taxes, assessments or other amounts to be prorated for the year in which the closing occurs (and, with respect to Real Property located in Illinois and Colorado, for the tax year prior to the tax year in which the closing occurs) is not known as of the Closing Date, the proration shall be based on the parties' reasonable estimates of such taxes, assessments and other amounts. To the extent any real or personal property taxes subject to apportionment in accordance with the foregoing are, as of the Closing Date, the subject of any appeal filed by or on behalf of Transferors, then notwithstanding anything to the contrary contained in this subparagraph, (i) no apportionment of the taxes being appealed shall occur at the closing, but instead such apportionment shall be deferred until the outcome of the appeal is final and the amount of taxes owing becomes fixed at which time Transferors shall be responsible for all such taxes that are allocable to any period prior to the Closing Date and Buyer shall be responsible for all such taxes that are allocable to any period from and after the Closing Date, and (ii) Transferors shall provide Buyer with adequate security, either in the form of a bond or by escrowing the amounts being appealed, to assure Buyer that Transferors' portion of such tax liability, including any penalty, will be available. To the extent any taxes which are the subject of an appeal have been paid by Transferors under protest and the appeal results in Buyer receiving a credit toward future tax liability or a refund, then Buyer shall, within thirty (30) days following receipt of such refund or notice of such credit, pay to Transferors the full amount of such refund or credit allocable to the period prior to the Closing Date, excluding, however, any portion of such refund or credit that is required to be passed through to the tenants pursuant to any

Leases or to other parties by existing contract.

(b) Prepaid Expenses. Buyer shall be charged for those prepaid expenses paid by Transferors directly or indirectly allocable to any period from and after the Closing Date, including, without limitation, annual permit and confirmation fees, fees for licenses and all security or other deposits paid by Transferors to third parties which Buyer elects to assume and to which Buyer then shall be entitled to the benefits and refund following the Closing Date.

(c) Property Income and Expense. The following prorations and adjustments shall occur as of the closing. Prior to the Closing Date, Transferors shall provide all information to Buyer required to calculate such prorations and adjustments and representatives of Buyer and Transferors shall together make such calculations:

(i) General. Subject to the specific provisions of clauses (ii), (iii) and (iv) below, income and expense shall be prorated on the basis of a 30-day month and on a cash basis (except for items of income and expense that are payable less frequently than monthly, which shall be prorated on an accrual basis). All such items attributable to the period prior to the Closing Date shall be credited to Transferors; all such items attributable to the period on and following the Closing Date shall be credited to Buyer. Buyer shall be credited in escrow with (a) any portion of rental agreement or lease deposits which are refundable to the tenants and have not been applied to outstanding tenant obligations in accordance with the terms of the applicable Lease and (b) rent prepaid beyond the Closing Date. Transferors shall transfer Transferors entire interest in any letters of credit or certificates of deposit held by Transferors as the deposits described in clause (a) above and shall diligently cooperate with Buyer in obtaining any reissuance or confirmation of the effect of the transfer of such instruments. Buyer shall not be entitled to any interest on rental agreement or lease deposits or prepaid rent accrued on or before

the Closing Date, except to the extent any such amount of interest is refundable or payable to any tenant under a Lease or applicable law. Transferors shall be credited in escrow with any refundable deposits or bonds held by any utility, governmental agency or service contractor, to the extent such deposits or bonds are assigned to Buyer on the Closing Date.

(ii) Leasing Costs. Subject to the provisions of Section 6.9 below, Buyer shall be credited in escrow with any leasing commissions, tenant improvements or other allowances to be paid by Buyer on or after the Closing Date with respect to the current term of any Lease or Lease modification executed, or any extension term or expansion of premises exercised, in each case, on or before March 1, 1999, and Transferors shall pay on or before the Closing Date all such items payable prior to the Closing Date. Notwithstanding the provisions of the immediately following sentence, with respect to any new Leases or Lease modifications executed after March 1, 1999 with respect to any of the space identified on Exhibit S attached hereto which are permitted under the terms of this Agreement ("Vacant Space"), Transferors shall be credited in escrow with the amount of any leasing commissions, tenant improvements or other allowances paid by Transferors after March 1, 1999. Buyer shall receive a credit at closing against the Price in the amount of $7.00 per square foot of Vacant Space, whether or not such space is leased prior to closing. With respect to any space which is not Vacant Space, subject to Section 6.9 Transferors shall be credited in escrow with an amount equal to (A) the amount of any leasing commissions, tenant improvement and other allowances paid by Transferors after March 1, 1999 to the extent such items relate to new Leases or Lease modifications executed or extensions of terms or expansions of premises that are exercised after March 1, 1999 and permitted under the terms of this Agreement, multiplied by (B) a fraction in which the numerator is the number of months or partial months of the stabilized term (i.e., the term following the tenant's entry into occupancy and commencement of unabated rental obligations) of any such Lease following the Closing Date and the denominator is the number of months or partial months in the stabilized term of such Lease. Buyer shall assume all obligations for any leasing commissions, tenant improvement or other allowances payable following the Closing Date with respect to Leases or Lease modifications executed or extensions of terms or expansions of premises that are exercised following March 1, 1999 and which are permitted under the terms of this Agreement; provided, that as to any such leasing commissions not disclosed to Buyer in the Disclosure Materials List & Statement or the Disclosure Materials or approved or deemed approved by Buyer pursuant to this Agreement or which are not expressly assumed by Buyer under any other provision of this Agreement, Buyer shall only be obligated to pay the market rate commission for the applicable Lease (and Transferors shall remain responsible for any above market component of such commission). Any expenditures or commitments to expenditures relating to Leases or modifications or extensions of terms or expansions of premises executed following March 1, 1999 in excess of the amounts budgeted and approved as part of Buyer's approval of the Lease (where such approval is required) shall be subject to Buyer's specific approval, which shall not be unreasonably withheld and shall be deemed given if Buyer should fail to

approve or disapprove such excess expenditure within 5 business days following Transferors' written request and delivery of material information reasonably necessary to allow Buyer to make an informed decision.

(iii) Rents. Rents payable by tenants under the Leases, shall be prorated as and when collected (whether such collection occurs prior to, on, or after the Closing Date). Buyer shall receive a credit for the amounts actually received before the Closing Date and

which pertain to any period after the Closing Date. Buyer shall not receive a credit at the closing for any rents for the month in which the closing occurs which are in arrears and have not then been received. As to any tenants who are delinquent in the payment of rent on the Closing Date, Buyer shall use reasonable efforts (but shall not be required to commence legal action or terminate or evict a tenant) to collect or cause to be collected such delinquent rents following the Closing Date. Any and all rents so collected by Buyer following the closing (less a deduction for all reasonable collection costs and expenses incurred by Buyer) shall be successively applied (after deduction for Buyer's reasonable collection costs) to the payment of (x) rent due and payable in the month in which the closing occurs, (y) rent due and payable in the months succeeding the month in which the closing occurs (through and including the month in which payment is made) and (z) rent due and payable in the months preceding the month in which the closing occurs. If all or part of any rents or other charges received by Buyer following the closing are allocable to Transferors pursuant to the foregoing sentence, then such sums shall be promptly paid to Transferors. Transferors reserve the right to pursue any damages remedy Transferors may have against any tenant with respect to such delinquent rents, but shall have no right to exercise any other remedy under the Lease (including, without limitation, termination or eviction).

(iv) Additional Rents. Any percentage rent, escalation charges for real estate taxes, parking charges, operating and maintenance expenses, escalation rents or charges, electricity charges, cost of living increases or any other charges of a similar nature other than fixed or base rent under the Leases (collectively, the "Additional Rents") shall be prorated as of the Closing Date between Buyer and Transferors on or before the date which is ninety (90) days following the end of the calendar year in which the closing occurs based on the actual number of days of the year and month which shall have elapsed as of the Closing Date. Prior to the end of the calendar year in which the closing occurs, Transferors shall provide Buyer with information regarding Additional Rents which were received by Transferors prior to closing and the amount of reimbursable expenses paid by Transferors prior to closing. On or before the date which is sixty (60) days following the end of the calendar year in which the closing occurs, Buyer shall deliver to Transferors a reconciliation of all expenses reimbursable by tenants under the Leases, and the amount of Additional Rents received by Transferors and Buyer relating thereto (the "Reconciliation"). Upon reasonable notice and during normal business hours, each party shall make available to the other all information reasonably required to confirm the Reconciliation. In the event of any overpayment of Additional Rents by the tenants to Transferors, Transferors shall promptly, but in no event later than fifteen (15) days after receipt of the Reconciliation, pay to Buyer the amount of such overpayment and Buyer, as the landlord under the particular Leases, shall pay or credit to each applicable tenant the amount of such overpayment. In the event of an underpayment of Additional Rents by the tenants to Transferors, Buyer shall pay to Transferors the amount of such underpayment within fifteen (15) days following Buyer's receipt of any such amounts from the tenants.

(d) Adjustments to Prorations. Subject to Section 6.3(a) and 6.3(c)(iv) above, after the closing, the parties shall from time to time, as soon as is practicable after accurate information becomes available and in any event within 180 days following the Closing Date, recalculate and reapportion any of the items subject to proration or apportionment (i) which were not prorated and apportioned at the closing because of the unavailability of the information necessary to compute such proration, or (ii) which were prorated or apportioned at the closing

based upon estimated or incomplete information, or (iii) for which any errors or omissions in computing prorations at the closing are discovered subsequent thereto, and thereafter the proper party shall be reimbursed based on the results of such recalculation and reapportionment. Unless otherwise specified herein, all such reimbursements shall be made on or before thirty (30) days after receipt of notice of the amount due. Any such reimbursements not timely paid shall bear interest at a per annum rate equal to ten percent (10%) from the due date until all such unpaid sums together with all interest accrued thereon is paid if payment is not made within ten (10) days after receipt of a bill therefor.

(e) Prior Year's Reconciliation. If the closing occurs before Transferors have performed the annual reconciliation of Additional Rent for the calendar year immediately preceding the calendar year in which the closing occurs, then Transferors shall, as soon as practicable after closing, perform such reconciliation at its sole cost and expense. Upon completion of such annual reconciliation, Transferors shall immediately deliver to Buyer a detailed description of any Additional Rent which are payable by or reimbursable to any present tenant (the "Prior Year Reconciliation"). The Prior Year Reconciliation shall be accompanied by all applicable back-up documentation, together with Transferors' check for such Additional Rent which is reimbursable to a tenant. Based upon Transferors' calculations, Buyer shall send customary statements for reimbursement of Additional Rent to tenants under the Leases based on the Prior Year Reconciliation, and shall remit to Transferors within thirty (30) days of receipt, all sums so collected. If Transferors' calculations show that Additional Rent has been overpaid by any present tenant and Transferors have submitted its check to Buyer for such amounts, Buyer shall refund such Additional Rent to such tenant.

(f) Survival. The provisions of this Section 6.3 shall survive the closing.

SECTION 6.4 Other Closing Costs.

(a) The premium payable in connection with the issuance of the Title Policies, governmental documentary transfer or transaction taxes or fees due on the transfer of the Properties, recording costs, and, except as otherwise provided below, other closing costs shall be paid by Transferors and Buyer according to custom in the county in which the applicable Property is located as set forth on Exhibit D attached hereto.

(b) Transferors shall pay 50% of any escrow or other costs charged by or reimbursable to the Title Company; provided, however that additional costs to create multiple escrows to accommodate 1031 Exchanges shall be borne by the party requesting such multiple escrows.

(c) Buyer shall pay 50% of any escrow or other costs charged by or reimbursable to the Title Company; provided, however that additional costs to create multiple escrows to accommodate 1031 Exchanges shall be borne by the party requesting such multiple escrows.

SECTION 6.5 Further Documentation. At or following the close of escrow, Buyer and Transferors shall execute any certificate, memoranda, assignment or other instruments required by this Agreement, law or local custom or otherwise reasonably requested by the other party to

effect the transactions contemplated by this Agreement and shall take such other actions (but at no material cost or expense) as are reasonably requested by the other party to effect the transactions contemplated by this Agreement.

SECTION 6.6 Cooperation in Exchange. The parties acknowledge and agree that Exchangors have elected (with respect to the Exchange Properties) and Buyer may elect (with respect to the Properties) to assign their interest in this Agreement to an exchange facilitator by means of one or more escrows for the purpose of completing an exchange of such Properties or interests in such Properties in a transaction which will qualify for treatment as a tax deferred exchange pursuant to the provisions of Section 1031 of the Internal Revenue Code of 1986 and applicable state revenue and taxation code sections (a "1031 Exchange"). Each party agrees to reasonably cooperate with any party so electing in implementing any such assignment and 1031 Exchange, provided that such cooperation shall not entail any material additional expense to the non-electing party, cause such party to take title to any other property or cause such party exposure to any liability or loss of rights or benefits contemplated by this Agreement, and the electing party shall indemnify, defend and hold the non-electing party harmless from any liability, damage, loss, cost or other expense including, without limitation, reasonable attorneys' fees and costs, resulting or arising from the implementation of any such assignment and 1031 Exchange. No such assignment by any party shall relieve such party from any of its obligations hereunder, nor shall such party's ability to consummate a tax deferred exchange be a condition to the performance of such party's obligations under this Agreement.

SECTION 6.7 Environmental Matters.

(a) Buyer and Transferors acknowledge and agree that Transferors shall transfer and assign to Buyer at the closing (to the extent assignable), as part of the Intangible Property, Transferors' rights and interests in and to any indemnifications or covenants from third parties (other than any rights of Transferors under any of Transferors' environmental insurance policies, which rights are expressly not assigned to Buyer under this Agreement except as expressly otherwise set forth below) relating to the environmental condition of the Properties (reserving solely Transferors' rights to the benefit of such indemnifications and covenants protecting Transferors with respect to

Transferors' ownership of the Properties), including, without limitation, those indemnity agreements shown on Exhibit O. Following the closing, Buyer and Transferors shall cooperate in the pursuit of any and all claims arising under such instruments, which cooperation shall include, as required, Transferors' expression and pursuit of claims for the benefit of Buyer -- provided that such pursuit is at Buyer's sole cost and expense and does not expose Transferors to additional liability. Notwithstanding the foregoing, with respect to the Property described on Exhibit U-1 attached hereto, to the extent assignable and subject to obtaining the consent of the applicable insurer, at closing Transferors shall assign all of their right, title and interest in the environmental insurance policy described on Exhibit U-2 and Transferors shall be named as an additional insured under such policy; provided, that the assignment of such policy shall not constitute a condition of closing under this Agreement.

(b) With respect to the Property described on Exhibit U-3, Transferors shall use reasonable efforts to obtain on or before closing (but without any liability whatsoever if they are unable to do so except as set forth below), a no further action letter (which letter shall be permitted to contain customary qualifications and exclusions, such as a right of the lead

regulatory agency to reopen its investigation based on additional information, and may be a risk based no further action letter) from the lead regulatory agency in connection with the known contamination located on such Property as more particularly described on Exhibit U-3 (an "NFA letter"). If Transferors are not able to deliver to Buyer an NFA Letter with respect to any such Property on or before the closing, then Transferors shall execute and deliver to Buyer at closing with respect to such Property as to which no NFA Letter has been obtained, a remediation and access agreement in the form attached as Exhibit U-4 (the "Remediation and Access Agreement").

SECTION 6.8 Environmental Insurance Deductibles. The parties hereto acknowledge that Buyer intends to obtain environmental insurance ("Environmental Insurance") for the Properties listed on Exhibit Q attached hereto (the "Insured Properties"). If a loss occurs under the Environmental Insurance and to the extent such loss is a result of environmental contamination or a release of Hazardous Materials determined to have been present or to have occurred at an Insured Property on or before the Closing Date (a "Loss"), then Transferors shall reimburse to Buyer eighty percent (80%) of any amounts actually incurred by Buyer with respect to such Loss (as substantiated by written invoices or other evidence reasonably satisfactory to Transferors) as a result of the application of the deductible under the Environmental Insurance for such Insured Property, but in no event shall Transferors' liability exceed eighty thousand dollars ($80,000) in the aggregate with respect to all Losses at any one Insured Property. Buyer agrees not to take any affirmative actions which would or could reasonably be expected to result in a Loss, such as performing a Phase II environmental assessment, unless required to do so in writing by a lender, rating agency, new material equity investor, a governmental authority or tenant (but with respect to any of the foregoing persons, only after Buyer has used commercially reasonable efforts to find a suitable alternative to taking any such affirmative actions, such as naming such party as an additional insured under Buyer's environmental insurance policy or providing such party with an environmental indemnity) or based on a reasonable belief that a release of Hazardous Materials (other than with respect to a matter disclosed in the environmental reports included in the Disclosure Materials) has occurred (provided, that the mere existence of a dry cleaner at the Property is not in and of itself sufficient to constitute such a "reasonable belief"), and in any event will not do so without providing Transferors at least ten (10) days prior written notice to review the scope of such action; provided, that the foregoing prohibition on Buyer taking affirmative actions shall not apply with respect to a Property from and after the two (2) year anniversary of the Closing Date for such Property. The obligation of Transferors to reimburse Buyer under this Section 6.8 shall apply only to Losses for a particular Property as to which Transferors receive written notice from Buyer on or before the two (2) year anniversary of the Closing Date for such Property.

SECTION 6.9 Completion Events.

(a) With respect to the Property described on Exhibit R attached hereto (the "SWP Property"), Transferors shall use commercially reasonable efforts to obtain title to such Property on or before the closing so as to allow Transferors to convey such Property to Buyer in a condition as will enable Buyer to obtain an Owner's Title Policy for such Property (including endorsements and exceptions) substantially similar to the form of Owner's title policy obtained by Buyer with respect to the Property acquired by Buyer in this transaction which is most proximate to the SWP Property. Buyer has informed Transferors that Buyer intends to ground

lease the SWP Property and Transferors agree that Buyer can take the lead role in any negotiations with a potential ground lessee, subject to the reasonable

approval of Transferors as to the terms of any such ground lease; provided, that if Buyer acquires the SWP Property, then Buyer shall assume all obligations for any site improvements to be performed by or at the expense of the ground lessor and Transferors shall receive a credit for any sums expended by Transferors prior to the closing and at the request of Buyer or pursuant to a ground lease approved by Buyer with respect to any such site work. If Transferors are unable to obtain title to the SWP Property on or before the closing, then the SWP Property shall be treated as a Deferred Property, Transferors shall thereafter use reasonable efforts (without any obligation to expend any funds) to obtain title to the SWP Property and the closing for such Property shall be deferred for a period of up to one (1) year to allow transferors to obtain such title, in which event (i) the Price payable on the Closing Date applicable to all other Properties shall be reduced by the Allocated Price of such Property, and (ii) an amount equal to five percent (5%) of the Allocated Price for such Property shall be retained by Title Company as a continuing Deposit subject to disposition in accordance with Section 5.1 above as to such Property (provided that if Transferors have not obtained a binding commitment from the title holder to convey such Property to Transferors (or Buyer as Transferors' designee), Buyer shall not be obligated to post a continuing Deposit until such binding agreement is obtained and delivered to Buyer). If the closing for such Property occurs, then at such closing Buyer shall receive a credit against the Allocated Price for such Property in the amount of $250,000.

(b) General Provisions. All work performed by Transferors under this Section 6.9 shall be performed in a good and workmanlike manner substantially in accordance with all applicable laws. Nothing in this Section 6.9 is intended to limit or expand Buyer's approval rights contained in Section 4.2(c) or (d).

SECTION 6.10 Transferors' Covenant of Cooperation. Transferors hereby agree to reasonably cooperate with Buyer or Buyer's auditors, at no expense, liability or substantial accounting time to Transferors, prior to and after the closing (but subject to the provisions of Section 2.4) (i) by providing financial data pertaining to the Properties to the extent required by the Securities and Exchange Commission ("SEC") or reasonably required to prepare filings that Buyer intends to file with the SEC, including (to the extent so required) the documentation requested on Exhibit T-1 (but without duplication of any of the documents listed in the Disclosure Material List & Statement or contained in the Disclosure Materials so long as continued access is provided to such documents as were not delivered to Buyer) as it relates to the one (1) year period immediately preceding the closing, and (ii) in delivering to Buyer's auditors a certificate in the form of Exhibit T-2. Transferors shall provide such documentation and deliver such certificate in each instance within ten (10) business days after receipt of Buyer's reasonable request to do so. Without limiting Transferors' representations and warranties contained in this Agreement or Transferors' covenants contained in Section 4.2 or in any document executed and delivered to Buyer by Transferors at closing, Buyer shall indemnify and hold Transferors harmless from and against any and all claims, liabilities, losses, damages, causes of action, costs and expenses (including, without limitation, reasonable attorneys' fees and costs) to the extent relating to or arising out of Transferors' performance of its obligations under this Section 6.10, including, without limitation, any claims arising out of the reliance by third parties, including Buyer's auditors, on information provided by Transferors under this Section 6.10. The provisions of this Section 6.10 shall survive the closing

SECTION 6.11 UCC Financing Statements. If Buyer provides evidence during the Confirmation Period of any UCC Financing Statements naming a Transferor or any of its affiliates as debtor and encumbering a Property (whether in connection with mortgages, deeds of trust or personal property financings which are not assumed by Buyer), then Transferors shall use reasonable efforts to cause the release of such UCC Financing Statements as soon as practicable after the closing.

ARTICLE 7
MISCELLANEOUS

SECTION 7.1 Damage or Destruction.

(a) Buyer shall be bound to purchase each of the Properties as required by the terms of this Agreement without regard to the occurrence or effect of any damage to or destruction of any of the Properties or condemnation of any Property by right of eminent domain, provided that the occurrence of any damage or destruction involves repair costs of less than the greater of $1,000,000 or ten percent (10%) of the Property's Allocated Price, and any condemnation does not materially affect the use or value of the affected Property. If Buyer is so bound to purchase a Property notwithstanding the occurrence of damage, destruction or condemnation, or if Buyer fails to elect to treat the applicable Property as a Deleted Property pursuant to Section 7.1(b) below then upon the closing: (i) in the event of damage covered by insurance or an immaterial condemnation, Buyer shall receive a credit against the Allocated

Price for such Property in the amount (net of collection costs and costs of repair reasonably incurred by Transferors and not then reimbursed) of any insurance proceeds or condemnation award collected and retained by Transferors as a result of any such damage or destruction or condemnation plus (in the case of damage) the amount of the deductible portion of Transferors' insurance policy, and Transferors shall assign to Buyer all rights to such net insurance proceeds or condemnation awards as shall not have been collected prior to the close of escrow; and (ii) in the event of damage not covered by insurance, Buyer shall receive a credit (not to exceed the greater of $1,000,000 or ten percent (10%) of the Property's Allocated Price for each affected Property) in the amount of the estimated cost to repair the damage.

(b) If, prior to the Closing Date, any Property suffers damage or destruction that involves repair costs in excess of the greater of $1,000,000 or ten percent (10%) of the Property's Allocated Price or condemnation which affects the use or value of the Property in other than a minor and immaterial manner, then Buyer may elect to treat such Property as a Deleted Property by giving written notice of such election to Transferors promptly following Buyer's knowledge of the event and extent of damage, destruction or condemnation. In the event of the deletion of any Property pursuant to this Section 7.1(b), the parties shall be bound to consummate the purchase and sale of the balance of the Properties in accordance with this Agreement and the Price shall be reduced by an amount equal to the Allocated Price of the Deleted Property.

SECTION 7.2 Fees & Commissions.

(a) Each party to this Agreement warrants to the other that, except as otherwise provided in subparagraph (b) below, no person or entity can properly claim a right to a

real estate or investment banker's commission, finder's fee, acquisition fee or other brokerage-type compensation (collectively, "Real Estate Compensation") based upon the acts of that party with respect to the transaction contemplated by this Agreement. Each party hereby agrees to indemnify and defend the other against and to hold the other harmless from any and all loss, cost, liability or expense (including but not limited to attorneys' fees and returned commissions) resulting from any claim for Real Estate Compensation by any person or entity based upon such acts.

(b) The parties hereby acknowledge that Morgan Stanley Dean Witter has acted as Transferors' investment bankers in connection with this transaction. Transferors shall be responsible for paying any commission or fees due to such parties in connection with this transaction.

SECTION 7.3 Successors and Assigns. Buyer may not assign any of Buyer's rights or duties hereunder without the prior written consent of Transferors, which may be withheld in Transferors' sole discretion; provided, however, that Buyer shall have the right to assign all or a portion of its rights hereunder to an entity which is at least 75% owned, directly or indirectly, by Buyer, without the prior consent of Transferors, except that any such assignment to such an affiliate of Buyer shall not relieve Buyer of any of its obligations under this Agreement.

SECTION 7.4 Notices. Any notice, consent or approval (or request for consent or approval) required or permitted to be given under this Agreement shall be in writing and shall be given or requested by (i) hand delivery, (ii) Federal Express or another reliable overnight courier service, (iii) facsimile telecopy, or (iv) United States mail, registered or certified mail, postage prepaid, return receipt required, and addressed as follows:

To Transferors:

c/o AMB Property, L.P.
505 Montgomery Street, Fifth Floor
San Francisco, CA 94111
Attn: W. Blake Baird
Fax No.: (415) 394-9001

and

AMB Property, L.P.
505 Montgomery Street, Fifth Floor
San Francisco, CA 94111
Attn: General Counsel
Fax No.: (415) 394-9001

with a copy to:
Morrison & Foerster LLP
755 Page Mill Road
Palo Alto, California 94304-1018

Attn: Philip J. Levine
Fax No.: (650) 494-0792

To Buyer:

Burnham Pacific Properties, Inc.
100 Bush Street, Suite 2400
San Francisco, CA 94104
Attn: General Counsel
Fax No.: (650) 352-1711

with a copy to:

David Krotine, Esq.
McDonough, Holland & Allen
5555 Capitol Mall, 9th Flr.
Sacramento, CA 94814
Fax No.: (916) 444-5918

with a copy to:

Goodwin, Procter & Hoar LLP
Exchange Place
Boston, MA 02109-2881
Attn: Christopher B. Barker, P.C.
Fax No.: 617-227-8591

Any such notice, consent or approval (or request for consent or approval) shall be deemed given or requested (i) if given by hand delivery, upon such hand delivery, (ii) one (1) business day after being deposited with Federal Express or another reliable overnight courier service, (iii) if sent by facsimile, the day the facsimile is successfully transmitted, or (iv) if sent by registered or certified mail, three (3) business days after being deposited in the United States mail. Any address or name specified above may be changed by notice given to the addressee by the other party in accordance with this Section 7.4. The inability to deliver because of a changed address of which no notice was given, or rejection or other refusal to accept any notice, shall be deemed to be the receipt of the notice as of the date of such inability to deliver or rejection or refusal to accept. Any notice to be given by any party hereto may be given by the counsel for such party.

SECTION 7.5 ARBITRATION OF DISPUTES. CONTROVERSIES OR CLAIMS TO BE SUBMITTED TO ARBITRATION PURSUANT TO SECTIONS 2.5, 2.6 OR 6.9 ABOVE SHALL BE RESOLVED BY ARBITRATION CONDUCTED IN ACCORDANCE WITH THE CALIFORNIA CODE OF CIVIL PROCEDURE SECTION 1280 ET SEQ. AND UNDER THE REAL ESTATE INDUSTRY RULES OF THE AMERICAN ARBITRATION ASSOCIATION ("AAA RULES"), EXCEPT THAT WITH RESPECT TO ANY INSTANCE IN WHICH THE ARBITRATION RELATES SOLELY TO A DISPUTE OVER THE AMOUNT OF A PRICE ADJUSTMENT, ANY SUCH ARBITRATION SHALL BE SO CALLED "BASEBALL-STYLE" SUCH THAT EACH PARTY SHALL STATE A SINGLE AMOUNT AS ITS

POSITION ON THE ISSUE BEING ARBITRATED AND A SINGLE ARBITRATOR SHALL BE REQUIRED TO SELECT ONE OF THE AMOUNTS STATED BY THE PARTIES, AND SHALL HAVE NO RIGHT TO DECIDE A DIFFERENT AMOUNT OR OTHERWISE TAKE A DIFFERENT POSITION. THE ARBITRATOR(S) SHALL GIVE EFFECT TO SUBSTANTIVE AND PROCEDURAL LAW OF THE STATE OF CALIFORNIA INCLUDING, WITHOUT LIMITATION, THE STATUTES OF LIMITATION IN DETERMINING ANY CLAIM (BUT EXCLUDING PRINCIPLES RELATING TO CONFLICTS OF LAWS). ANY CONTROVERSY CONCERNING WHETHER AN ISSUE IS ARBITRABLE SHALL BE DETERMINED BY THE ARBITRATOR(S). ALL DECISIONS BY THE ARBITRATOR(S) SHALL BE IN WRITING AND COPIES OF THE DECISIONS SHALL BE DELIVERED TO EACH PARTY.

ARBITRATION SHALL TAKE PLACE IN SAN FRANCISCO, CALIFORNIA AT A LOCATION MUTUALLY ACCEPTABLE TO THE PARTIES OR AS DESIGNATED BY THE ARBITRATOR(S) IF THE PARTIES CANNOT AGREE ON A LOCATION. THE DECISION BY THE ARBITRATOR(S) SHALL BE ISSUED NO LATER THAN SIXTY (60) DAYS AFTER THE DATE ON WHICH THE INITIATING PARTY GIVES WRITTEN NOTICE TO THE OTHER PARTY OF ITS INTENTION TO ARBITRATE, WHICH NOTICE SHALL COMPLY WITH THE REQUIREMENTS OF THE AAA RULES AND THREE COPIES OF SUCH NOTICE SHALL BE FILED AT THE REGIONAL OFFICE OF AAA IN SAN FRANCISCO, CALIFORNIA AS PROVIDED IN THE AAA RULES.

JUDGMENT UPON THE ARBITRATION AWARD MAY BE ENTERED IN ANY COURT HAVING JURISDICTION. THE INSTITUTION AND MAINTENANCE OF AN ACTION FOR JUDICIAL RELIEF OR PURSUIT OF A PROVISIONAL OR ANCILLARY REMEDY SHALL NOT CONSTITUTE A WAIVER OF THE RIGHT OF ANY PARTY, INCLUDING THE PLAINTIFF, TO SUBMIT THE CONTROVERSY OR CLAIM TO ARBITRATION IF ANY OTHER PARTY CONTESTS SUCH ACTION FOR JUDICIAL RELIEF.

NOTICE: BY INITIALING IN THE SPACE BELOW YOU ARE AGREEING TO HAVE ANY DISPUTE ARISING OUT OF THE MATTERS INCLUDED IN THE `ARBITRATION OF DISPUTES' PROVISION DECIDED BY NEUTRAL ARBITRATION AS PROVIDED BY CALIFORNIA LAW AND YOU ARE GIVING

UP ANY RIGHTS YOU MIGHT POSSESS TO HAVE THE DISPUTE LITIGATED IN A COURT OR JURY TRIAL. BY INITIALING IN THE SPACE BELOW, YOU ARE GIVING UP YOUR JUDICIAL RIGHTS TO DISCOVERY AND APPEAL, UNLESS THOSE RIGHTS ARE SPECIFICALLY INCLUDED IN THE `ARBITRATION OF DISPUTES' PROVISION. IF YOU REFUSE TO SUBMIT TO ARBITRATION AFTER AGREEING TO THIS PROVISION, YOU MAY BE COMPELLED TO ARBITRATE UNDER THE AUTHORITY OF THE CALIFORNIA CODE OF CIVIL PROCEDURE. YOUR AGREEMENT TO THIS ARBITRATION PROVISION IS VOLUNTARY.

WE HAVE READ AND UNDERSTAND THE FOREGOING AND AGREE TO SUBMIT DISPUTES ARISING OUT OF THE MATTERS INCLUDED IN THE `ARBITRATION OF DISPUTES' PROVISION TO NEUTRAL ARBITRATION.

_____ _____

BUYER'S INITIALS TRANSFEROR'S INITIALS

SECTION 7.6 Entire Agreement. Excepting solely the Confidentiality Agreements, this Agreement and the attached exhibits, which are by this reference incorporated herein, and all documents in the nature of such exhibits, when executed, contain the entire understanding of the parties and supersede any and all other written or oral understanding.

SECTION 7.7 Time. Time is of the essence of every provision contained in this Agreement.

SECTION 7.8 Incorporation by Reference. All of the exhibits attached to this Agreement or referred to herein and all documents in the nature of such exhibits, when executed, are by this reference incorporated in and made a part of this Agreement.

SECTION 7.9 Attorneys' Fees. In the event any dispute between Buyer and any of Transferors should result in litigation or arbitration, including, without limitation, arbitration pursuant to Section 7.5 above, the prevailing party shall be reimbursed for all reasonable costs incurred in connection with such litigation or arbitration, including, without limitation, reasonable attorneys' fees and costs.

SECTION 7.10 Construction. The parties acknowledge that each party and its counsel have reviewed and revised this Agreement and that the normal rule of construction to the effect that any ambiguities are to be resolved against the drafting party shall not be employed in the interpretation of this Agreement or any amendments or exhibits hereto.

SECTION 7.11 Governing Law. This Agreement shall be construed and interpreted in accordance with and shall be governed and enforced in all respects according to the laws of the State of California (without giving effect to conflicts of laws principles).

SECTION 7.12 Operating Records. Each party agrees to make available to the other party from time to time, but not more frequently than quarterly, upon reasonable notice, for a period of two years following the Closing Date, such party's operating records for the Properties, to the extent such party has operating records, in order to permit the requesting party to prepare such historical financial statements for the Properties as such party requires to satisfy legal or contractual obligations. The party making its operating records available shall have no obligation to prepare any operating statements or incur any expense in connection with the provisions of this section.

SECTION 7.13 Confidentiality. Buyer and Transferors each acknowledge and agree that this Agreement and the terms and conditions set forth are to be kept confidential unless and until the closing occurs on the Closing Date in accordance with and subject to the terms of this Section 7.13 and the Confidentiality Agreements. Without limiting the obligations of Buyer's constituent partners under the Confidentiality Agreements, each party shall be entitled to discuss and disclose the transaction with employees, agents, consultants, lenders, clients and

representatives of such party -- each of whom shall be directed by the disclosing party to maintain such information in confidence. Notwithstanding anything to the contrary contained in this Section 7.13, following the full execution of this Agreement and Buyer's delivery of the Deposit to Title Company, the parties shall issue a joint press release with respect to this transaction, which press release shall be in the form attached hereto as Exhibit J. The Transferors agree that nothing in this Section shall prevent Buyer from disclosing any information otherwise deemed confidential under this Section (i) in connection with Buyer's enforcement of its rights hereunder or (ii) pursuant to any legal requirement applicable to Buyer, including, without limitation, any

securities laws, any reporting requirement or any accounting or auditing standard.

SECTION 7.14 Counterparts. This Agreement may be executed in one or more counterparts. All counterparts so executed shall constitute one contract, binding on all parties, even though all parties are not signatory to the same counterpart.

SECTION 7.15 Transferors' Representative. Buyer shall be entitled to rely upon any notice, approval or decision expressed by any of the Knowledge Persons acting alone on behalf of all of the Transferors.

SECTION 7.16 No Liability. Notwithstanding anything to the contrary contained herein, in no event shall Calpers, which is a constituent member of Buyer, or any of its trustees, directors or employees, have any personal liability under this Agreement.

SECTION 7.17 Escrow Provisions.

(a) By its signature below, Title Company acknowledges receipt of the Deposit (whether in the form of cash or a Letter of Credit). Title Company agrees to hold the Deposit (whether in the form of cash or a Letter of Credit) in escrow pursuant to the provisions of this Agreement for application in accordance with the provisions of this Agreement, including the following terms:

(1) Title Company shall have no duties or responsibilities other than those expressly set forth in this Agreement. Title Company shall have no duty to enforce any obligation of any person to make any payment or delivery or to enforce any obligation of any person to perform any other act. Title Company shall be under no liability to the other parties hereto or to anyone else by reason of any failure on the part of any party hereto or any maker, guarantor, endorser or other signatory of any document or any other person to perform such person's obligations under any such document. Except for this Agreement, amendments to this Agreement executed by Transferors and Buyer and except for joint written instructions given to Title Company by Transferors and Buyer relating to the Deposit, Title Company shall not be obligated to recognize any agreement between any or all of the persons referred to herein, notwithstanding that references thereto may be made herein and whether or not it has knowledge thereof.

(2) In its capacity as Title Company, Title Company shall not be responsible for the genuineness or validity of any security, instrument, document or item deposited with it and shall have no responsibility other than to faithfully follow the instructions

contained in this Agreement, and subject to the terms hereof, it is fully protected in acting in accordance with any written instrument given to it hereunder by any of the parties hereto and believed by Title Company to have been signed by the proper person. Title Company may assume that any person purporting to give any notice hereunder has been duly authorized to do so. Title Company is acting as a stakeholder only with respect to the Deposit. If there is any dispute or uncertainty concerning any action to be taken hereunder, Title Company shall have the right to take no action (other than to make demand for the principal amount of any portion of the Deposit in the form of a Letter of Credit as may be required under this Agreement which demand shall be made as so required by this Agreement notwithstanding any contrary instructions by Buyer unless approved in writing by Transferors) until it shall have received instructions in writing approved by Transferors and Buyer or until directed by a final order of judgment of a court of competent jurisdiction, whereupon Title Company shall take such action in accordance with such instructions or such order.

(3) It is understood and agreed that the duties of Title Company are purely ministerial in nature. Title Company shall not be liable to the other parties hereto or to anyone else for any action taken or omitted by it, or any action suffered by it to be taken or omitted, in good faith and in the exercise of reasonable judgment, except for acts of willful misconduct or gross negligence. Title Company may rely conclusively and shall be protected in acting upon any order, notice, demand, certificate, opinion or advice of counsel (including counsel chosen by Title Company), statement, instrument, report or other paper or document (not only as to its due execution and the validity and effectiveness of its provisions, but also as to the truth and accuracy of any information therein contained) which is reasonably believed by Title Company to be genuine and signed or presented by the proper person or persons. Title Company shall not be bound by any notice or demand, or any waiver, modification, termination or rescission of this Agreement or any of the terms hereof, unless evidenced by a final judgment or decree of a court of competent jurisdiction in the State of California or a Federal court in such State, or a writing delivered to Title Company signed by the proper party or parties and, if the duties or rights of Title Company are affected, unless it shall give its prior written consent thereto.

(4) Title Company shall have the right to assume in the absence of written notice to the contrary from the proper person or persons that a fact or an event by reason of which an action would or might be taken by Title Company does not exist or has not occurred, without incurring liability to the other parties hereto or to anyone else for any action taken or omitted, or any action suffered by it to be taken or omitted, in good faith and in the exercise of reasonable judgment, in reliance upon such assumption.

(5) Except in connection with Title Company's willful misconduct or gross negligence, Title Company shall be indemnified and held harmless jointly and severally by the other parties hereto from and against any and all liabilities, expenses and losses suffered by Title Company (as escrow agent), including reasonable attorneys' fees and expenses, in connection with any action, suit or other proceeding involving any claim, which arises out of or relates to this Agreement, the services of Title Company hereunder or the monies or instruments held by it hereunder. Promptly after the receipt by Title Company of notice of any demand or claim or the commencement of any action, suit or proceeding, Title Company shall, if a demand or a claim is made or an action is commenced against any of the other parties hereto, notify such

other parties hereto in writing; but the failure by Title Company to give such notice shall not relieve any party from any liability which such party may have to Title Company hereunder.

SECTION 7.18 State Specific Provisions.

(a) In regards to Real Property located in California:

(i) Buyer is hereby apprised of and shall determine whether any Real Property is located within the coastal zone under the California Coastal Act.

(ii) Buyer is hereby apprised of and shall determine whether any Real Property is located within a special studies zone under the Alquist-Priolo Geologic Hazard Act.

(iii) To the extent required by law, Transferors and Buyer agree to provide a Real Estate Transfer Disclosure Statement.

(iv) Transferors shall provide Buyer with a form California 590-RE.

(b) In regards to Real Property located in Colorado: Special taxing districts may be subject to general obligation indebtedness that is paid by revenues produced from annual tax levies on the taxable property within such districts. Property owners in such districts may be placed at risk for increased mill levies and excessive tax burdens to support the servicing of such debt where circumstances arise resulting in the inability of such a district to discharge such indebtedness without such an increase in mill levies. Buyer should investigate the debt financing requirements of the authorized general obligation indebtedness of such districts, existing mill levies of such districts servicing such indebtedness, and the potential for an increase in such mill levies.

(c) In regards to Real Property located in Illinois: Buyer and Transferors hereby agree to make all disclosures and do all things necessary to comply with the Illinois Responsible Property Transfer Act ("Act"). Either a disclosure document ("IRPTA Disclosure Document") in the form required under the Act, or an affidavit to the effect that no such IRPTA Disclosure Document is required under such Act shall be delivered by Transferors to Buyer at closing. Buyer and Transferors hereby waive the requirement of the delivery of an IRPTA Disclosure Document not less than thirty (30) days prior to the Closing Date, both parties acknowledging and agreeing that they are aware of the purpose and intent of the IRPTA Disclosure Document.

(d) In regards to Real Property located in Minnesota: Buyer is hereby apprised of and shall determine whether a well is located on any of the Real Property located in Minnesota. Transferors certify that Transferors do not know of any wells on the Real Property located in Minnesota. In the event Buyer locates a well on the Real Property Buyer shall not be entitled to cancel this Agreement nor shall Buyer be entitled to recover any costs, including, without limitation, the cost to seal the well and attorneys' fees.

(e) In regards to Real Property located in Texas

(i) Buyer is hereby apprised of and shall determine whether any of the Real Property is located seaward of the Gulf Intercoastal Waterway to its southernmost point and then seaward of the

longitudinal line also known as 97/,12', 19" which runs southerly to the international boundary from the intersection of the center line of the Gulf Intercoastal Waterway and the Brownsville Ship Channel, and if any of the Real Property is in close proximity to a beach fronting the Gulf of Mexico, Buyer is hereby advised that the public has acquired a right of use or easement to or over the area of any public beach by prescription, dedication, or presumption, or has retained a right by virtue of continuous right in the public since time immemorial, as recognized in law and custom.

The extreme seaward boundary of natural vegetation that spreads continuously inland customarily marks the landward boundary of the public easement. If there is no clearly marked natural vegetation line, the landward boundary of the easement is as provided by Sections 61.016 and 61.017, Natural Resources Code.

State law prohibits any obstruction, barrier, restraint, or interference with the use of the public easement, including the placement of structure seaward of the landward boundary of the easement. STRUCTURES ERECTED SEAWARD OF THE VEGETATION LINE (OR OTHER APPLICABLE EASEMENT BOUNDARY) OR THAT BECOME SEAWARD OF THE VEGETATION LINE AS A RESULT OF NATURAL PROCESSES ARE SUBJECT TO A LAWSUIT BY THE STATE OF TEXAS TO REMOVE THE STRUCTURE.

Buyer is hereby notified that Buyer should seek the advice of an attorney or other qualified person before executing this Agreement or instrument of conveyance as to the relevance of these statutes and facts to the value of any of the Real Property Buyer is hereby purchasing or contracting to purchase.

(ii) Buyer is hereby apprised of and shall determine whether any of the Real Property is located within a Water District. If any of the Real Property is located within a Water District, Buyer is notified as follows [to the extent required, missing information to be completed, if applicable, by Transferors on or before the closing.]:

"The real property, described below, that you are about to purchase is located in the _____District. The district has taxing authority separate from any other taxing authority and may, subject to voter approval, issue an unlimited amount of bonds and levy an unlimited rate of tax in payment of such bonds. As of this date, the rate of taxes levied by the district on real property located in the district is $_____on each $100 of assessed valuation. If the district has not yet levied taxes, the most recent projected rate of debt service tax, as of this date, is $_____on each $100 of assessed valuation. The total amount of bonds approved by the voters and which have been or may, at this date, be issued is $_____, and the aggregate initial principal amounts of all bonds issued for one or more of the specified facilities of the district and payable in whole or in part from property taxes is $_____.

The district has the authority to adopt and impose a standby fee on property in the district that has water, sanitary sewer, or drainage facilities and services available

but not connected and which does not have a house, building, or other improvement located thereon and does not substantially utilize the utility capacity available to the property. The district may exercise the authority without holding an election on the matter. As of this date, the most recent amount of the standby fee is $_____. An unpaid standby fee is a personal obligation of the person that owned the property at the time of imposition and is secured by a lien on the property. Any person may request a certificate from the district stating the amount, if any, of unpaid standby fees on a tract of property in the district.

The purpose of this district is to provide water, sewer, drainage, or flood control facilities and services within the district through the issuance of bonds payable in whole or in part from property taxes. The cost of these facilities is not included in the purchase price of your property, and these utility facilities are owned or to be owned by the district. The legal description of the property you are acquiring is as follows:

_____

_____

BUYER IS ADVISED THAT THE INFORMATION SHOWN ON THIS FORM IS SUBJECT TO CHANGE BY THE DISTRICT AT ANY TIME. THE DISTRICT ROUTINELY ESTABLISHES TAX RATES DURING THE MONTHS OF SEPTEMBER THROUGH DECEMBER OF EACH YEAR, EFFECTIVE FOR THE YEAR IN WHICH THE TAX RATES ARE APPROVED BY THE DISTRICT. BUYER IS ADVISED TO CONTACT THE DISTRICT TO DETERMINE THE

STATUS OF ANY CURRENT OR PROPOSED CHANGES TO THE INFORMATION SHOWN ON THIS FORM.

The undersigned Buyer hereby acknowledges receipt of the foregoing notice at or prior to execution of a binding contract for the purchase of the real property described in such notice or at closing of purchase of the real property."

IN WITNESS WHEREOF, Transferors and Buyer have executed this Agreement as of the day and year first written above.

Buyer:

BPP RETAIL, LLC,
a Delaware limited liability company

By: Burnham Pacific Operating Partnership, L.P.
a Delaware limited partnership
Its Managing Member

By: Burnham Pacific Properties, Inc.
Its general partner

By: _____
Name: _____
Title: _____

By: _____
Name: _____
Title: _____

Transferors:

AMB Property, L.P.
a Delaware limited partnership

By: AMB Property Corporation
Its general partner

By:_____
Its:_____

AMB Property II, L.P.
a Delaware limited partnership

By: AMB Property Holding Corporation
Its general partner

By:_____
Its_____

The undersigned party is joining this Agreement solely for the purpose of acknowledging and agreeing to the provisions of Article V and Section 7.17 hereof and any other provisions of this Agreement expressly applicable to Title Company.

CHICAGO TITLE COMPANY

By: _____
Name: _____
Title: _____

Exhibit 10.3

AGREEMENT FOR PURCHASE AND SALE

March 9, 1999

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List of Exhibits

AGREEMENT FOR PURCHASE AND EXCHANGE

THIS AGREEMENT FOR PURCHASE AND EXCHANGE is made and entered into as of March 9, 1999, by and among AMB PROPERTY, L.P., a Delaware limited partnership ("AMBLP"), AMB PROPERTY II, L.P., a Delaware limited partnership ("AMB II" and AMBLP are, collectively, as to the properties described on Exhibit A-2, the

"Exchangors," and as to the properties described on Exhibit A-1, the "Sellers" and, together, the "Transferors"), and BPP RETAIL, LLC, a Delaware limited liability company ("Buyer"). Transferors and their respective interests in the Properties (as defined below) are identified more precisely on Exhibit A to this Agreement.

RECITALS

A. The Sellers, either directly or indirectly (with certain Third Parties (as herein defined)), hold ownership of a portfolio of properties listed on Exhibit A-1 to this Agreement and defined below with greater specificity as the "Sale Properties."

B. The Exchangors, either directly or indirectly (with certain Third Parties (as herein defined)), hold ownership of a portfolio of properties listed on Exhibit A-2 to this Agreement and defined below with greater specificity as the "Exchange Properties."

C. Buyer desires to acquire and each of Exchangors desires to transfer, subject to the terms and conditions contained in this Agreement, the entirety of its right, title and interest in the Exchange Properties.

D. Buyer desires to acquire and each of Sellers desires to sell, subject to the terms and conditions contained in this Agreement, the entirety of its right, title and interest in the Sale Properties.

AGREEMENT

NOW, THEREFORE, Buyer and Transferors do hereby agree as follows:

ARTICLE 1
BASIC DEFINITIONS

"Additional Exceptions" shall have the meaning set forth in Section 2.6(a).

"Additional Title Exception Notice" shall have the meaning set forth in Section 2.6(b).

"Allocated Price" shall refer, as to each Sale Property, to the portion of the Sale Purchase Price allocated to such Sale Property as set forth on Exhibit H-1 to this Agreement, and as to each Exchange Property, to the portion of the Exchange Price allocated to such Exchange Property as set forth on Exhibit H-2 to this Agreement.

"Closing Date" shall mean December 1, 1999 (as such date may be deferred with respect to a particular Property pursuant to the terms of this Agreement); provided, that Transferors shall

have the right to extend the Closing Date for up to twenty (20) days, upon not less than ten (10) business days notice prior to the original Closing Date.

"Confirmation Letter" shall mean the letter in the form attached as Exhibit B to this Agreement to be delivered by Buyer to Transferors on or prior to the close of the prescribed Confirmation Period pursuant to Section 3.2 below.

"Confirmation Period" shall mean the period commencing on the date of this Agreement, and ending at 5:00 p.m., California time on April 8, 1999, provided that the Confirmation Period may end earlier at Buyer's election upon delivery by Buyer to Transferors of the Confirmation Letter (representing the conclusive waiver by Buyer of any further Confirmation Period).

"Contract Period" shall mean the period from the date of this Agreement through and including the Closing Date (as the same may be extended pursuant to this Agreement).

"Contracts" shall mean all maintenance, service and other operating contracts, equipment leases and other arrangements or agreements to which any Transferors is a party affecting the ownership, repair, maintenance, management, leasing or operation of the Properties.

"Deferred Property" shall have the meaning set forth in Section 2.5(d) below.

"Deleted Property" shall have the meaning set forth in Section 2.5(d) below.

"Disclosure Materials" shall mean those materials described in Section A of the Disclosure Materials List & Statement to which Buyer has been afforded access and review rights prior to the date of this Agreement.

"Disclosure Materials List & Statement" shall mean the statement set forth as Exhibit C to this Agreement.

"Exchange Price" shall have the meaning set forth in Section 2.2(b) below.

"Exchange Property" shall mean, with respect to each of the Properties described on Exhibit A-2, the Real Property, the Personal Property and the Intangible Property. Collectively, such Properties shall be referred to as the "Exchange Properties."

"Financial Statements" shall mean the historical income and expense statements for the Properties for calendar years 1997 and 1998 (or such shorter period as Transferors may have owned an applicable Property), which have been provided to Buyer.

"Hazardous Materials" shall mean any substances, materials, wastes, pollutants or contaminants defined or listed in or subject to reporting, investigation, permitting, remediation, licensing or other regulatory requirements under any environmental laws or regulations, including, without limitation, any inflammable explosives, radioactive materials, asbestos, polychlorinated biphenyls, trichloroethylene, tetrachloroethylene, perchloroethylene and other chlorinated solvents, petroleum products and by-products and other substances with toxic or hazardous characteristics.

"Improvements" shall mean, as to each of the properties listed on Exhibit A, the right, title and interest of the Transferors in ownership of such property in any and all structures, buildings, facilities, parking areas or other improvements situated on such property's Land and all related fixtures, improvements, building systems and equipment (including, without limitation, HVAC, security and life safety systems).

"Intangible Property" shall mean, as to each Real Property, the right, title and interest of the Transferors in ownership of such Real Property in: (a) any and all permits, entitlements, filings, building plans, specifications and working drawings, certificates of occupancy, operating permits, sign permits, development rights and approvals, certificates, licenses, warranties and guarantees, engineering, soils, pest control, survey, environmental, appraisal, market and other reports relating to such Real Property and associated Personal Property; (b) all trade names, service marks, tenant lists, advertising materials and telephone exchange numbers identified with such Real Property; (c) the Contracts and the Leases; (d) except as set forth on Exhibit L attached hereto (the "Excluded Claims"), claims, awards, actions, remedial rights and judgments, and escrow accounts relating to environmental remediation, to the extent relating to such Real Property and associated Personal Property; (e) all books, records, files and correspondence relating to such Real Property and associated Personal Property; (f) to the extent assignable, the agreements listed on Exhibit V attached hereto, including all purchase options, rights of first refusal or first opportunity to purchase and similar rights contained therein; and (g) all other transferable intangible property, miscellaneous rights, benefits or privileges of any kind or character with respect to such Real Property and associated Personal Property, including, without limitation, under any REAs, provided that the Intangible Property shall not include any Transferor's name or any right to the reference "AMB".

"Investigation Matters" shall have the meaning set forth in Section 2.4(a) below.

"Joint Venture" shall have the meaning set forth in Section 2.7 below.

"Land" shall mean, as to each of the properties listed on Exhibit A, the land component of the property as described with precision in the Title Policies.

"Leases" shall mean, as to each Real Property, all leases, concession agreements, rental agreements or other agreements (including all amendments or modifications thereto) which entitle any person to the occupancy or use of any portion of the Real Property.

"Material Adverse Matters Amount" shall refer, as to any Property, to the amount, if any, as to which Buyer claims a credit against the Price with respect to an Investigation Matter pursuant to Section 2.5 and Exhibit N attached hereto.

"Permitted Exceptions" shall mean the various matters affecting title to the Properties that are approved or deemed approved by Buyer pursuant to Section 2.6 below.

"Personal Property" shall mean, as to each Real Property, all furniture, furnishings, trade fixtures and other tangible personal property directly or indirectly owned by the Transferors in ownership of such Real

Property that is located at and used exclusively in connection with the operation of any Real Property.

"Price" shall mean the Sale Purchase Price and the Exchange Price, collectively.

"Property" shall mean, with respect to each of the properties described on Exhibit A, the Real Property, the Personal Property and the Intangible Property. Collectively, such properties shall be referred to as the "Properties."

"Real Property" shall mean, as to each property listed on Exhibit A, the Land, the Improvements and all of Transferor's right, title and interest in and to the rights, privileges, easements, and appurtenances to the Land or the Improvements, including, without limitation, any air, development, water, hydrocarbon or mineral rights held by any Transferors, all licenses, easements, rights-of-way, claims, rights or benefits, covenants, conditions and servitude and other appurtenances used or connected with the beneficial use or enjoyment of the Land or the Improvements and all rights or interests relating to any roads, alleys or parking areas adjacent to or servicing the Land or the Improvements.

"REAs" shall have the meaning set forth in Section 4.1(b)(viii) below.

"Rent Rolls" shall refer to the information schedules attached as Exhibit E to this Agreement pertaining to the Leases.

"Sale Property" shall mean, with respect to each of the Properties described on Exhibit A-1, the Real Property, the Personal Property and the Intangible Property. Collectively, such Properties shall be referred to as the "Sale Properties."

"Sale Purchase Price" shall have the meaning set forth in Section 2.2(a) below.

"Surveys" shall refer to Transferors' existing surveys with respect to the Properties which have been delivered by Transferors to Buyer.

"Third Party" or "Third Parties" shall have the meaning set forth in Section 2.7 below.

"Title Company" shall mean Chicago Title Company; Attn: Pat Davisson (Telephone: (415) 788-0871).

"Title Policies" shall refer to Transferors' existing title insurance policies with respect to the Properties, complete copies of which have been made available by Transferors to Buyer.

"1031 Exchange" shall have the meaning set forth in Section 6.6 below.

ARTICLE 2
PURCHASE AND EXCHANGE

SECTION 2.1 Purchase and Transfer. Exchangors agree to transfer the Exchange Properties to Buyer by means of one or more 1031 Exchanges, and Buyer agrees to acquire the Exchange Properties upon all of the terms, covenants and conditions set forth in this Agreement. In furtherance of exchange, Buyer agrees to cooperate in such 1031 Exchanges pursuant to and as provided in Section 6.6 below. Sellers agree to sell the Sale Properties to Buyer and Buyer

agrees to purchase or cause to be purchased the Sale Properties upon all of the terms, covenants and conditions set forth in this Agreement.

SECTION 2.2 Price.

(a) The aggregate purchase price for the Sale Properties (the "Sale Purchase Price") shall be the sum of Twelve Million Seven Hundred Fourteen Thousand Dollars (U.S. $12,714,000), subject to adjustment in accordance with Sections 2.3 [Adjustments], 6.3 [Prorations] and 6.9 [Completion Events] below. The entire amount of the Sale Purchase Price so adjusted shall be payable by Buyer to Sellers in cash on the Closing Date through the escrow described in Section 6.1 below.

(b) The aggregate price for the Exchange Properties (the "Exchange Price") shall be the sum of One Hundred Twelve Million One Hundred Nineteen Thousand Dollars (U.S. $112,119,000), subject to adjustment in accordance with Sections 2.3 [Adjustments], 6.3 [Prorations] and 6.9 [Completion Events] below. The entire amount of the Exchange Price so adjusted shall be

payable by Buyer to one or more exchange facilitators selected by Exchangors in their sole discretion, in furtherance of one or more 1031 Exchanges, through payment in cash of the entire balance of the Exchange Price on the Closing Date through one or more escrows described in Section 6.1 below.

SECTION 2.3 Adjustments. In addition to the prorations and credits contemplated by Section 6.3 below, (a) the Price shall be decreased by the aggregate amount of the Allocated Prices of any Deleted Properties, (b) the portion of the Price payable on the Closing Date shall be reduced by the Allocated Price of any Deferred Properties, and (c) the Price shall be decreased by the aggregate amount of any adjustments effected pursuant to Sections 2.5 and 2.6 below.

SECTION 2.4 Buyer's Review and Transferors' Disclaimer.

(a) Buyer acknowledges that Transferors have afforded Buyer and its agents and representatives an opportunity to review all of the Disclosure Materials prior to the date of this Agreement and, subject to the express terms of this Agreement, that Buyer has completed such review to its satisfaction. Buyer has assumed fully the risk that Buyer has failed completely and adequately to review and consider any or all of such materials. But for Buyers' expression of satisfaction with the content of the Disclosure Materials, Buyer would not have entered into this Agreement; but for Buyer's expression of such satisfaction and assumption of any risk as to the character of its review and consideration of the Disclosure Materials, Transferors would not have entered into this Agreement. Nevertheless, during the Confirmation Period, Buyer shall be permitted to make a further review of information relating solely to the matters described on Exhibit N attached hereto (the "Investigation Matters") to determine whether any Material Adverse Matters Amounts exist with respect to the Properties and the extent of any such Material Adverse Matters Amount. Following the Confirmation Period, Buyer shall have no further right of inspection and review with respect to the Properties except solely for the purpose of assisting Buyer in its management transition as provided in Sections 4.2(m) and (o) and Section 6.10. The rights and obligations of the parties arising out of Buyer's determination and assertion prior to the close of the Confirmation Period that such Material Adverse Matters Amounts do exist shall

be limited and solely governed by the provisions of Section 2.5 below and Exhibit N attached hereto.

(b) Buyer's exercise of the rights of review and confirmation set forth in subsection (a) shall be subject to the following limitations: (i) any entry onto any Property by Buyer, its agents or representatives, shall be during normal business hours, following not less than 24 hours' prior notice to Transferors and, at Transferors' discretion, accompanied by a representative of Transferors; (ii) Buyer shall not conduct any drilling, test borings or other disturbance of any Property for review of soils, compaction, environmental, structural or other conditions without Transferors' prior written consent (which may be withheld in Transferor's sole and absolute discretion); (iii) any discussions or interviews with any third party, any partner of any Transferors, any tenants of a Property or their respective personnel, at Transferors' election, shall be conducted in the presence of Transferors or their representatives; (iv) any discussions or interviews with employees at any Property shall be limited to designated senior employees and, at Transferors' election, shall be conducted in the presence of Transferors or their representatives; (v) Buyer shall exercise reasonable diligence not to disturb the use or occupancy or the conduct of business at any Property; (vi) prior to any entry upon the Property by Buyer or any of its agents, representatives or consultants for the purpose of conducting any inspections, investigations or tests, Buyer shall deliver to Transferors a certificate of insurance evidencing that Buyer carries a liability insurance policy in an amount not less than $5,000,000, which liability insurance policy names each Transferors as an additional insured; and (vii) Buyer shall indemnify, defend and hold Transferors harmless from all loss, cost, and expense relating to personal injury or property damage resulting from any entry or inspections performed by Buyer, its agents or representatives. Subject to the provisions of this Agreement, Transferors shall at all times use all reasonable efforts (but at no material cost to Transferors) to provide Buyer with access or information that Buyer may reasonably request concerning the Properties, but Transferors shall bear no liability if Transferors are not able to afford Buyer such access or information despite such reasonable efforts.

(c) Buyer acknowledges (i) that Buyer has entered into this Agreement with the intention of making and relying upon its own investigation of the physical, environmental, economic and legal condition of the Properties, (ii) that, other than those specifically set forth in Article IV below or in any document to be delivered pursuant to Section 6.1 below, Transferors are not making and have not at any time made any warranty or representation of any kind, expressed or implied, with respect to the Properties, including, without limitation, warranties or representations as to habitability, merchantability, fitness for a particular purpose, title (other than Transferors' limited warranty of title set forth in the Deeds), zoning, tax consequences, latent or

patent physical or environmental condition, utilities, operating history or projections, valuation, projections, compliance with law or the truth, accuracy or completeness of the Disclosure Materials, (iii) that other than those specifically set forth in Article IV below or in any document to be delivered pursuant to Section 6.1 below, Buyer is not relying upon and is not entitled to rely upon any representations and warranties made by Transferors or anyone acting or claiming to act on any of Transferors' behalf, (iv) that the Disclosure Materials include soils, environmental and physical reports prepared for Transferors by third parties as to which Buyer has no right of reliance, Buyer has conducted an independent evaluation and Transferors have made no representation whatsoever as to accuracy, completeness or adequacy (provided, however, that nothing herein shall be deemed to limit Buyer's right to seek to obtain from the

third parties which prepared such reports the right to rely on such reports at no cost to Transferors), and (v) that the Disclosure Materials include economic projections which reflect assumptions as to future market status and future Property income and expense with respect to the Properties which are inherently uncertain and as to which Transferors have not made any guaranty or representation whatsoever. Buyer further acknowledges that it has not received from Transferors any accounting, tax, legal, architectural, engineering, property management or other advice with respect to this transaction and is relying solely upon the advice of its own accounting, tax, legal, architectural, engineering, property management and other advisors. Except as provided in the representations and warranties of Transferors set forth in Article IV below and except as otherwise expressly set forth in this Agreement or in any document to be delivered pursuant to Section 6.1 below, based upon the order of Buyer's familiarity with and due diligence relating to the Properties and pertinent knowledge as to the markets in which the Properties are situated and in direct consideration of Transferors' decision to sell or exchange the Properties to Buyer for the Price and not to pursue available disposition alternatives, Buyer shall purchase the Properties in an "as is, where is and with all faults" condition on the Closing Date and assumes fully the risk that adverse latent or patent physical, environmental, economic or legal conditions may not have been revealed by its investigations. Transferors and Buyer acknowledge that the compensation to be paid to Transferors for the Properties has taken into account that the Property is being sold or exchanged subject to the provisions of this Section 2.4. Transferors and Buyer agree that the provisions of this Section 2.4 shall survive closing.

(d) Consistent with the foregoing and subject solely to the express covenants and indemnities set forth in this Agreement and the representations set forth in Section 4.1 or in any document to be delivered pursuant to Section 6.1 below (as such covenants, indemnities and representations are limited pursuant to Section 4.4 hereof), effective as of the Closing Date, Buyer, for itself and its agents, affiliates, successors and assigns, hereby releases and forever discharges Transferors, their respective members, beneficial owners, agents, affiliates, successors and assigns (collectively, the "Releasees") from any and all rights, claims and demands at law or in equity, whether known or unknown at the time of this agreement, which Buyer has or may have in the future, arising out of the physical, environmental, economic or legal condition of the Properties, including, without limitation, all claims in tort or contract and any claim for indemnification or contribution arising under the Comprehensive Environmental Response, Compensation, and Liability Act (42 U.S.C. Section 9601, et. seq.) or any similar federal, state or local statute, rule or ordinance relating to liability of property owners for environmental matters. Without limiting the foregoing, Buyer, upon closing, shall be deemed to have waived, relinquished and released Transferors and all other Releasees from and against any and all matters arising out of latent or patent defects or physical conditions, violations of applicable laws and any and all other acts, omissions, events, circumstances or matters affecting the Properties, except for breach of the express covenants and indemnities set forth in this Agreement and the representations and warranties set forth in Section 4.1 or in any document to be delivered pursuant to Section 6.1 (as such covenants, indemnities and representations are limited pursuant to Section 4.4 hereof). For the foregoing purposes, Buyer hereby specifically waives the provisions of Section 1542 of the California Civil Code and any similar law of any other state, territory or jurisdiction. Section 1542 provides:

> A general release does not extend to claims which the creditor does not know or suspect to exist in his favor at the time of executing the release, which if known by him must have materially affected his settlement with the debtor.

Buyer hereby specifically acknowledges that Buyer has carefully reviewed this subsection and discussed its import with legal counsel and that the provisions of this subsection are a material part of this Agreement.

_____

(e) Subject to the express covenants and indemnities set forth in this Agreement and the representations of Transferors set forth in Section 4.1 or in any document to be delivered pursuant to Section 6.1 (as such covenants, indemnities and representations are limited pursuant to Section 4.4 hereof), Buyer shall indemnify, defend and hold Transferors harmless from and against any and all losses, damages, causes of action, costs and expenses (including without limitation, reasonable attorneys' fees and costs), claims and liabilities in connection with or relating directly or indirectly to the Properties to the extent arising out of or resulting from acts or omissions occurring from and after the Closing Date. Transferors shall indemnify, defend and hold Buyer harmless from and against any and all losses, damages, causes of action, costs and expenses (including, without limitation, reasonable attorneys' fees and costs), claims and liabilities in connection with claims brought by third parties unaffiliated to Buyer (i) for physical injury to persons or physical damage to property to the extent such injury or damage occurred on the Properties and arose out of or resulted from acts or omissions of Transferors that took place prior to the Closing Date, (ii) with respect to acts or omissions of Transferors that took place prior to the Closing Date and that are actually insured under an insurance policy carried by Transferors (and then only to the extent of the proceeds actually paid under such policy, Transferors agreeing to use commercially reasonable efforts to realize such insurance proceeds) and (iii) with respect to each of the matters which are listed on Exhibit W attached hereto as such list may be amended from time to time during the Contract Period by Transferors (and provided to Buyer) to reflect new litigation filed against Transferors during the Contract Period (the foregoing items (i), (ii) and (iii) being collectively referred to as "Claims"); provided that Transferors' indemnity contained in this Section 2.4(e) shall not apply to any Claims relating to or arising out of or in connection with the environmental condition of the Properties whether or not such Claim may be covered by Transferors' environmental insurance policies.

SECTION 2.5 Material Adverse Matters Amounts.

(a) On or prior to the close of the Confirmation Period, Buyer shall deliver to Transferors the Confirmation Letter in the form attached as Exhibit B to this Agreement confirming Buyer's satisfaction as to the absence of any Material Adverse Matters Amounts other than as specified in the Confirmation Letter and waiving any further right or need to conduct further review or investigation for such purposes. Buyer's failure to deliver to Transferors on or prior to the close of the Confirmation Period an executed Confirmation Letter in the form attached as Exhibit B, without modification or qualification in any manner whatsoever (whether material or immaterial) -- excepting an enumeration and explanation of

identified Material Adverse Matters Amounts, shall be deemed conclusively as Buyer's confirmation of the absence of any Material Adverse Matters Amounts.

(b) If the Confirmation Letter identifies any Material Adverse Matters Amounts, the Confirmation Letter shall set forth: (i) the identity of any Properties as to which Buyer has identified any Material Adverse Matters Amounts, (ii) the nature of the Investigation Matter for each affected Property which resulted in such Material Adverse Matters Amounts and (iii) reasonably detailed evidence of the existence of such Material Adverse Matters Amount and Buyer's rationale for and calculation of the Material Adverse Matters Amounts set forth.

(c) If the Confirmation Letter does so identify Material Adverse Matters Amounts, then, for a period ending five (5) business days following the close of the Confirmation Period, Buyer and Transferors shall negotiate in good faith (but otherwise as a matter within each party's sole discretion) to determine whether the parties can reach a mutually acceptable reduction in the Price. The parties further acknowledge that neither participation in nor any statements made in the course of such discussions shall represent or be interpreted as an admission or agreement as to the existence, character or measure of any Material Adverse Matters Amount.

(d) In any event, if the parties are not able to reach and execute a written agreement evidencing a mutually satisfactory Price adjustment within such five (5) business day negotiation period, Transferors shall provide Buyer with written notice (the "Election Notice") within an additional period of three (3) business days informing Buyer that Transferors, in Transferors' sole discretion: (i) dispute the existence or measure of Material Adverse Matters Amounts as to Properties identified in the Election Notice, (ii) accept Buyer's calculation of the Material Adverse Matters Amounts, in which case the Price shall be reduced by the Material Adverse Matters Amount set forth in Buyer's calculation, or (iii) withdraw Properties identified in the Election Notice from the sale or exchange to Buyer; provided, however, that Transferors shall not be permitted to withdraw any Property unless the Material Adverse Matters Amount claimed by Buyer exceeds $200,000 with respect to such Property and exceeds $375,000 with respect to all of the Properties (in which event Transferors, in

Transferors' discretion, may withdraw such Properties as to which Material Adverse Matters Amounts are claimed until the claimed Material Adverse Matters Amounts for the remaining Properties is less than or equal to $375,000). Any Property identified as the subject of dispute under clause (i) above shall be referred to as a "Deferred Property." Any Property withdrawn under clause (iii) above shall be referred to as a "Deleted Property."

(e) If Transferors have elected to dispute the calculation of any Material Adverse Matters Amounts under subsection (d)(i) above, such dispute shall be submitted promptly to arbitration pursuant to Section 7.5 below. Buyer and Transferors, respectively, shall remain fully obligated to purchase and sell or exchange, as applicable, both the Deferred Properties and all other Properties (excepting any Deleted Properties) on the terms and conditions set forth in this Agreement, provided that (i) the Price payable on the Closing Date applicable to all other Properties shall be reduced by the Allocated Price of the Deferred Properties, (ii) the Closing Date with respect to the Deferred Properties shall be deferred to that date ten (10) business days following the issuance of a final decision in arbitration, (iii) an amount equal to five percent (5%) of the Allocated Price for each Deferred Property shall be

retained by Title Company as a continuing Deposit subject to disposition in accordance with Section 5.1 below as to such Deferred Property and (iv) the Allocated Price with respect to each Deferred Property shall be subject to any reduction determined in arbitration.

(f) Subject to the provisions of Section 2.8, if a Property is designated as a Deleted Property, Buyer and Transferors, respectively, shall have no further obligation to purchase or sell or exchange, as applicable, the Deleted Properties, shall remain obligated to purchase or sell or exchange, as applicable, all other Properties and the Price payable on the Closing Date applicable to all other Properties shall be reduced by the Allocated Prices of the Deleted Properties.

SECTION 2.6 Title Exceptions.

(a) Buyer acknowledges that prior to the date hereof, Transferors have provided to Buyer access to copies of the Title Policies, as well as copies of the exception documents referred to in the Title Policies and copies of the Surveys of the Properties, to the extent such exceptions are in Transferors' immediate possession. Buyer also acknowledges that Transferors have requested Title Company to deliver to Buyer updated title reports to the Title Policies, as well as copies of any exception documents relating to exceptions that are reflected in such updates that have not otherwise been provided to Buyer prior to the date hereof; provided that Transferors shall have no liability hereunder if Buyer is unable to obtain copies of any such documents and Buyer shall have no rights hereunder with respect thereto. Buyer may continue to secure during the Confirmation Period any additional title or survey updates desired by Buyer (and will use reasonable efforts to provide the copies of such updates to Transferors promptly after receipt of same by Buyer). As used herein, the term "Additional Exceptions" shall mean (i) any title exceptions or survey exceptions or qualifications identified by Title Company that are not within the definition of Permitted Exceptions, (ii) the items listed on Exhibit G-2 to the extent they materially and adversely affect the use, occupancy or value of a Property, provided that such items shall not be deemed to materially and adversely affect the use, occupancy and value of a Property to the extent Buyer has approved (or is deemed to have approved) exceptions on such Property or other Properties which are substantially similar in all material respects, (iii) matters shown on surveys described in the Exhibit G Title Policies (as defined in Exhibit G) or, if such surveys cannot be located or otherwise obtained, on new surveys obtained by Buyer, for the Properties identified on Exhibit G-2 which were not shown on the surveys for such Properties delivered or made available to Buyer, if applicable, and which materially and adversely affect the use, occupancy or value of a Property, provided that such items shall not be deemed to materially and adversely affect the use, occupancy and value of a Property to the extent Buyer has approved (or is deemed to have approved) such matters on such Property or other Properties which are substantially similar in all material respects, and (iv) with respect to any Property as to which the Title Company will not agree at least ten (10) business days prior to the end of the Confirmation Period to issue a survey endorsement referring to the same survey as is referenced in Transferors' most recent Exhibit G Title Policy (for such Property), any variance established by Buyer from the legal descriptions insured in Transferors' most recent Exhibit G Title Policies to the surveys described in such Title Policies (other than variances relating to the Palm Aire Additional Parcel (as such term is defined in Exhibit A) as previously disclosed to Buyer or otherwise actually known to Buyer as of the date hereof). Buyer, in any event, shall endeavor in good faith (but at no out-of-pocket cost to Buyer) to cause the Title Company to

delete or insure over any Additional Exceptions to Buyer's reasonable

satisfaction prior to Buyer's expression of such matters in an Additional Title Exception Notice (as described below). Buyer shall have the right to request that the Title Company provide at Buyer's sole cost and expense any reinsurance or endorsements Buyer shall reasonably request with respect to Permitted Exceptions, Additional Exceptions or otherwise, provided that the issuance of such reinsurance or endorsements shall not be a condition to or delay the closing except as otherwise provided in this Agreement.

(b) Buyer shall have the right to deliver a notice to Transferors identifying any Additional Exceptions (the "Additional Title Exception Notice") by the earlier of (i) five (5) business days after Scott Verges becomes aware of the matter constituting an Additional Exception or (ii) the close of the Confirmation Period. Buyer's failure to deliver any such notice in timely fashion shall be deemed an approval of any such Additional Exceptions. Buyer shall have no right to deliver an Additional Title Exception Notice following the close of the Confirmation Period. If Buyer delivers an Additional Title Exception Notice within such period, Buyer and Transferors shall promptly attempt to agree upon the method or cost to cure or remove such Additional Exception or, if not susceptible to cure or removal, an appropriate reduction in the Allocated Price for the affected Property. If Transferors and Buyer are unable to agree upon a resolution within five (5) business days following Transferors' receipt of an Additional Title Exception Notice, Transferors shall elect, at its option and by written notice given not later than the date of Transferors' delivery of an Election Notice under Section 2.5(d) above, (i) to terminate this Agreement with respect to the affected Property, in which event such Property shall be treated as a Deleted Property or (ii) to submit the existence of the Additional Exception, the character of a satisfactory cure or the measure of appropriate price reduction to arbitration in accordance with the terms of Section 7.5, in which case the Property shall be treated as a Deferred Property. Notwithstanding the foregoing, Buyer shall not have the right to object to any Additional Exception if Title Company is willing to affirmatively insure or endorse over such Additional Exception at Transferors' expense, and the Title Company is acting in a commercially reasonable manner in providing such affirmative insurance or endorsement and Buyer reasonably approves the form and substance of such affirmative insurance or endorsement.

(c) "Permitted Exceptions" shall include and refer to the title exceptions set forth in Exhibit G attached hereto. Notwithstanding the foregoing, Transferors shall remove or cause the Title Company to remove or, except with respect to Deed of Trust Liens (as herein defined), endorse over by endorsement reasonably satisfactory to Buyer, at Transferors' sole cost and expense, on or prior to the Closing Date and there shall not be treated as Permitted Exceptions: (i) any liens of any mortgages or deeds of trust securing indebtedness of Transferors or its affiliates (collectively, "Deed of Trust Liens") and any other liens for monetary obligations (including mechanic's liens, but excluding (A) mechanic's liens filed by contractors or any other parties which are working for tenants under Leases or for Transferors where the obligation to pay such contractors or other parties is directly or indirectly an obligation of such tenants (but only to the extent (x) such obligation is not subject to reimbursement or payment by Transferors or its affiliates and (y) such tenant has neither filed for protection under applicable bankruptcy laws nor abandoned its premises) or which arise in connection with work as to which Buyer is to receive a credit at the closing (but only to the extent of such credit) or has agreed to assume the obligation which is the subject of such lien, and (B) any other liens which, in the aggregate,

exceed Thirty-Five Thousand Dollars ($35,000) for a particular Property, which arise following the date of Buyer's execution and delivery of this Agreement and which were not created by or acquiesced in by Transferors, any affiliate of Transferors, or any partner, member, officer, director, employee, agent or representative of either such party) that are not assumed by Buyer (for such purposes, all assessments collected with ad valorem real estate taxes and which are paid in installments and are not delinquent as of the Closing Date shall be assumed by Buyer (subject to the provisions of Section 6.3) and represent Permitted Exceptions); provided, however, that with respect to any liens identified in clause (B) above, (1) Transferors shall have the right, in Transferors' sole discretion, to (x) remove or cause the Title Company to remove or endorse over by endorsement reasonably satisfactory to Buyer, such lien at Transferors' sole cost and expense on or prior to the Closing Date, or (y) terminate this Agreement with respect to the affected property in which event such Property shall be treated as a Deleted Property, and (2) such liens shall not be Permitted Exceptions unless consented to by Buyer; and (ii) any title matters created in violation of Transferors' covenant set forth in Section 4.2(e) below.

(d) Transferors shall have no obligation to execute any affidavits or indemnifications in connection with the issuance of Buyer's title insurance excepting only the affidavit attached hereto as Exhibit K and such other customary affidavits as to authority, the rights of tenants in occupancy, the status of mechanics' liens and other affidavits or indemnifications reasonably necessary to address matters of title which Transferors are obligated to remove or cure pursuant to this Section 2.6.

SECTION 2.7 Joint Venture Interests. Buyer acknowledges that the Properties identified on Exhibit M attached hereto are owned by entities (each a "Joint Venture") in which a Transferor and an unrelated third party (each, a "Third Party" and collectively, the "Third Parties") own the beneficial interests. If the consent or waiver of applicable Third Parties is not required for a Transferor to sell or exchange a Property owned by a Joint Venture, then Transferors shall cause the Property to be sold or exchanged by such Joint Venture to Buyer. With respect to each Joint Venture where the consent or waiver of a Third Party is required, Transferors shall, at Transferors' election made in Transferors' sole discretion, attempt to either (i) obtain the consent of the applicable Third Party to cause the Joint Venture to sell or exchange the applicable Property to Buyer, or (ii) acquire the Third Party's interest in the Joint Venture prior to or concurrent with the closing hereunder, to the extent such purchase is permitted under the terms of the applicable Joint Venture's operative agreement (or consented to by the Third Party) and thereafter cause the Joint Venture to sell or exchange the applicable Property to Buyer. Transferors shall not be required to expend any amounts to obtain the consent of any Third Party pursuant to clause (i), but Transferors shall be required to expend up to (but not more than) the net amount of the applicable Third Party's proportionate share of the Allocated Price of the applicable Property based on such Third Party's interest in the Joint Venture in order to acquire such Third Party's interest pursuant to clause (ii) above. If Transferors are unable to obtain a required consent or waiver from a Third Party to a sale of the Property or acquire the Third Party's interest in such Joint Venture (after agreeing to expend the amount set forth above), then this Agreement shall be terminated with respect to the affected Property, in which event such Property shall be treated as a Deleted Property.

SECTION 2.8 Reinstatement Right. Notwithstanding anything to the contrary contained in this Agreement, if Transferors elect to treat a Property as a Deleted Property under

Sections 2.5, 2.6 or 4.4 of this Agreement, Buyer shall have the right, by providing Transferors with written notice given within three (3) business days after receipt of Transferors' notice designating a Property as a Deleted Property, to cause such Property to no longer be treated as a Deleted Property and to purchase such Property in accordance with this Agreement, in which event the specific condition giving rise to Transferors' treatment of such Property as a Deleted Property shall be deemed waived by Buyer and Buyer shall not receive any adjustment to the Allocated Price for such Property or have any right to deliver a Claim Notice as a result of such condition.

ARTICLE 3
CONDITIONS PRECEDENT

SECTION 3.1 Conditions.

(a) Notwithstanding anything in this Agreement to the contrary, Buyer's obligation to purchase a particular Property shall be subject to and contingent upon the satisfaction or waiver of the following conditions precedent with respect to such Property:

(i) The willingness, upon the sole condition of the payment of any regularly scheduled premium, of the Title Company (or another title insurance company reasonably satisfactory to Buyer) to issue Owner's Policies of Title Insurance in the form of the Title Policy issued to the applicable Transferor with respect to each Property in connection with the initial public offering of the stock of the Company (as herein defined) ("IPO") or, if no Title Policy was issued for a Property in connection with the IPO, then the Title Policy issued upon the acquisition of the Property by the applicable Transferor (or the party that contributed such Property to the Transferor at the IPO (a "Contributor") (or such other form(s) as may be reasonably satisfactory to Buyer)), and with all of the endorsements issued in any Title Policy issued by the Title Company for a particular Property insuring Buyer (or Buyer's permitted assignee or nominee) that title to the applicable Real Property is vested of record in Buyer (or Buyer's permitted assignee or nominee) on the Closing Date subject only to the printed conditions and exceptions of such policies (but deleting (by endorsement or otherwise), where permitted under applicable laws or regulations and at Buyer's expense, any co-insurance, creditors rights and so-called "standard" exceptions) and the Permitted Exceptions applicable to such Real Property. Transferors will cooperate and use reasonable efforts (but at no out-of-pocket cost to Transferors) to assist Buyer in obtaining all endorsements contained in the Title Policies (whether issued in connection with the IPO or an acquisition). Without limiting the foregoing, if the Title Company (and, to the extent applicable, a different title insurance company if one other than the Title Company previously issued any such endorsement) refuses to issue such endorsement to Buyer at closing with respect to a matter insured against under the Title Policies, upon request of Buyer, Transferors will assert a claim against such insurer at Buyer's expense and direction with the goal of enabling

Buyer to obtain such endorsement from such title company. Nothing contained in the second, third, or fourth sentence of this Section 3.1(a)(i) shall be construed as expanding the provisions of the first sentence of this Section 3.1(a)(i) or Section 2.6 or be considered a condition to Buyer's obligation to purchase any of the Properties and Transferors shall have no liability whatsoever if they are unable to cause a title company to issue any such endorsement;

(ii) With respect to a particular Property, such Property has not been designated a Deleted Property pursuant to this Agreement; and

(iii) Transferors' performance or tender of performance of all material obligations under this Agreement with respect to the applicable Property, including Transferors' covenants under Section 4.2 with respect to such Property.

(b) Notwithstanding anything in this Agreement to the contrary, Transferors' obligation to sell or exchange a particular Property or all of the Properties, as the case may be, shall be subject to and contingent upon the satisfaction or waiver of the following conditions precedent:

(i) With respect to a particular Property, such Property has not been designated a Deleted Property pursuant to this Agreement; and

(ii) Buyer's performance or tender of performance of all material obligations under this Agreement.

SECTION 3.2 Failure or Waiver of Conditions Precedent.

(a) If any of the conditions set forth in Section 3.1(a)(i) or (iii) is not fulfilled or waived by Buyer with respect to a particular Property, Buyer may, by written notice to Transferors, terminate this Agreement with respect to the applicable Property and such Property shall be treated as a Deleted Property. If the condition set forth in Section 3.1(b)(ii) is not fulfilled or waived, Transferors may, by written notice to Buyer, terminate this Agreement, whereupon all rights and obligations hereunder of each party shall be at an end. Either party may, at its election, at any time or times on or before the date specified for the satisfaction of the condition, waive in writing the benefit of any of the conditions set forth in Section 3.1(a) and 3.1(b) above. In any event, Buyer's consent to the close of escrow with respect to a Property pursuant to this Agreement shall waive any remaining unfulfilled conditions for the benefit of Buyer with respect to such Property.

(b) Notwithstanding the foregoing, if Buyer desires to terminate this Agreement with respect to a Property based upon a failure of the condition set forth in Section 3.1(a)(i) or (iii) above, Transferors shall have a period of 30 days within which to cure such failure or, if such failure cannot reasonably be cured within 30 days, an additional reasonable time period of up to an additional 60 days (for a total of 90 days), so long as such cure has been commenced within such 30 days and is at all times diligently pursued. If Transferors have not cured such failure within such cure period then Buyer may elect to terminate this Agreement with respect to the affected Property, in which event such Property shall be treated as a Deleted Property.

ARTICLE 4
COVENANTS, WARRANTIES AND REPRESENTATIVES

SECTION 4.1 Transferors' Warranties and Representations. Each of Transferors expresses to Buyer the representations and warranties set forth below as of the date of this

Agreement, provided that each of such representations and warranties shall be deemed expressly qualified by any information set forth on the Disclosure Materials List & Statement or contained in the Disclosure Materials, and any information set forth on the Disclosure Materials List & Statement or contained in the Disclosure Materials shall be deemed an exception to each and all of Transferors' representations and warranties set forth herein.

(a) Each of Transferors represents and warrants with respect to itself as follows:

(i) The Transferor (and Transferor's general partners, if Transferor is a limited partnership, and each of its constituent members, if Transferor is a limited liability company) is duly organized, validly existing and in good standing under the laws of its jurisdiction of organization and the Transferor is qualified to do business in each state in

which Real Property owned by such Transferor is located to the extent the failure to so qualify would have a material and adverse effect on Transferor's performance of its obligations under this Agreement. The Transferor has full power and lawful authority to enter into and carry out the terms and provisions of this Agreement and to execute and deliver all documents which are contemplated by this Agreement, and all actions of the Transferor necessary to confer such power and authority upon the persons executing this Agreement (and all documents which are contemplated by this Agreement) on behalf of the Transferor have been taken;

(ii) Except with respect to the third party consents expressly described in or contemplated under this Agreement or expressly required under any agreements included in Intangible Property, including the consent of Third Parties, if required, the Transferor's execution and delivery of this Agreement, the consummation of the transactions contemplated hereby and the performance of the Transferor's obligations under the instruments required to be delivered by the Transferor at the closing, do not and will not require the consent, approval or other authorization of, or registration, declaration or filing with, (collectively, "Consents") any governmental authority (excepting the recordation of closing documents contemplated in this Agreement and any filings required under applicable state or federal securities or tax laws) or any other person or entity, except such Consents as will be obtained on or before closing or as to which the failure to obtain would not have a material and adverse effect on Transferor's performance of its obligations under this Agreement, and do not and will not result in any material violation of, or material default under, any term or provision of any agreement, instrument, mortgage, loan agreement or similar document to which the Transferor is a party or by which the Transferor is bound. Subject to the foregoing, all partnership, limited liability company, board of directors and shareholder approvals required for Transferor to enter into this Agreement and to consummate the transactions described in this Agreement have been obtained;

(iii) There is no litigation, investigation or proceeding pending or, to the best of the Transferor's knowledge, contemplated or threatened against the Transferor which would impair or adversely affect the Transferor's ability to perform its obligations under this Agreement or any other instrument or document related hereto; and

(iv) The Transferor is not a "foreign person" as defined in Internal Revenue Code 1445(f)(3).

(b) Each of Transferors represents and warrants as follows with respect to each Property owned by such Transferor:

(i) As of the date of this Agreement, Transferor has no knowledge that, and has received no written notice from any governmental authorities that eminent domain proceedings for the condemnation of any Property or any part of a Property are pending;

(ii) As of the date of this Agreement, Transferor has no knowledge that, and has received no written notice of any threatened or pending litigation against Transferor other than routine matters covered by Transferor's insurance or other matters which would not materially and adversely affect any Property;

(iii) As of the date of this Agreement, Transferor has received no written notice from any governmental authority that the improvements constituting any Property are presently in material violation of any applicable building codes where such violation has not been cured in all material respects;

(iv) As of the date of this Agreement, Transferor has received no written notice from any governmental authority that any Property is presently in material violation of any applicable zoning, land use or other law, order, ordinance, rule or regulation affecting the Property which violation has not been cured, that any investigation has been commenced or is contemplated with respect to any such possible failure of compliance and Transferor has not received written notice from any insurance company or Board of Fire Underwriters any written notice of any defect or inadequacy in connection with a Property or its operation where such defect or inadequacy has not been cured in all material respects;

(v) There are no Contracts involving payment in excess of $25,000 per annum with respect to any Property that will be binding upon Buyer after the closing, other than such Contracts that are cancelable by the owner of the Property within 30 days after written notice from such owner without penalty or premium (other than penalties or premiums that will be paid by Transferor on or before the closing);

(vi) As of the date of this Agreement, except as set forth in the environmental reports included within the Disclosure Materials and any reports or studies prepared by or for Buyer, Transferor has received no

written notice of the presence or release of any Hazardous Materials presently deposited, stored, or otherwise located on, under, in or about any Property which require reporting to any governmental authority or are otherwise not in compliance with environmental laws, regulations and orders;

(vii) The Rent Rolls constituting Exhibit E to this Agreement completely and accurately identify as to each Lease as of February 15, 1999: the expiration date of the current term of the Lease; the amount of any security deposit held by Transferor; the current base rental payable under such Lease and future rent escalations; the amount of additional rent (i.e., cost recovery) currently billed to the tenant under the Lease; and the approximate rentable area of the premises. As of February 15, 1999, each Lease identified on the Rent Roll was, to the best of Transferor's knowledge, in full force and effect and, to the best of Transferor's knowledge, Transferor was not in material default thereunder. As of March 1,

1999, Transferor had not received written notice of any material default by Transferor under any Leases, which default had not been cured in all material respects, and Transferor has not delivered any default notice to a tenant under any Lease and, to Transferor's knowledge and except as set forth in the delinquency reports provided by Transferors to Buyer, Transferor was not aware of any other default by a tenant under a Lease as to which default Transferor would customarily have delivered a notice of default to such tenant but has not done so, which defaults have not been cured in all material respects. Transferor has delivered or made available to Buyer copies of all Leases of more than 14,000 square feet or any amendments thereto executed on or before the date of this Agreement (other than the Leases with Petco and Michaels at Weslayan Plaza);

(viii) As of the date of this Agreement, Transferor has received no written notice that Transferor or any other party is in default under any reciprocal easement agreement or declaration of covenants, conditions, and restrictions or any other similar instrument or agreement affecting any of the Properties (collectively, the "REAs"), which default has not been cured in all Material respects;

(ix) Except with respect to rights of Third Parties under the Joint Ventures, Transferor has not granted any option or right of first refusal or first opportunity to acquire any fee or ground leasehold estate of any portion of the Properties;

(x) As of the date of this Agreement, the Financial Statements delivered to Buyer by Transferor are true and correct in all material respects;

(xi) With respect to the matters contained in the Disclosure Materials List & Statement and the Disclosure Materials, to Transferor's knowledge, Transferor has not willfully and intentionally omitted to state any material facts required to be stated therein or willfully and intentionally made any untrue statement of a material fact, which would render the Disclosure Materials List & Statement or the Disclosure Materials materially misleading. Transferor has not willfully and intentionally failed to deliver or make available to Buyer all of the following documents in Transferor's immediate possession and has not instructed any third party not to deliver any such documents to Buyer: (x) reports regarding the environmental condition of the Properties or (y) reports obtained in connection with the acquisition of a Property regarding the physical condition and legal compliance of such Property; and

(xii) Transferor has taken the steps described on Exhibit P attached hereto in an effort to cause all computer hardware and software at each Property which is the direct responsibility of Transferor (and not the responsibility of a tenant, vendor or other third party) and which controls utility and other physical operating functions including, without limitation, alarm and other security systems, irrigation systems, lighting systems, health safety systems and similar functions (the "Owner's Computer Systems"), to at all times hereafter provide the following functions: (a) consistently handle date information before, during and after January 1, 2000 including, without limitation, accepting date input, providing date output and performing calculations on dates or portions of dates; (b) function accurately in accordance with the specifications for such computer hardware or software and without interruption before, during and after January 1, 2000, without any change in operations associated with the advent of the new century; (c) respond to two digit date input in a way that resolves any ambiguity as to

century in a disclosed, defined and predetermined matter; and (d) store and provide output data information in ways that are unambiguous as to century. To Transferor's knowledge, as of the date of this Agreement, the cost to correct any failure of the Owner's Computer Systems to provide the foregoing functions

would not be material (provided, that no representation or warranty is made with respect to any such failure for reasons other than the advent of the new century).

Subject to the provisions of Section 4.4, each of the Transferors shall be jointly and severally liable for the breach of any representation and warranty of a Transferor set forth in this Section 4.1.

* * * * *

For the foregoing purposes, the terms "Transferors' knowledge" or "Transferor's knowledge" or words of similar effect shall mean the current actual, subjective knowledge of Messrs. John Diserens, Michael Coke, Blake Baird and David Fries (collectively, the "Knowledge Persons"), in each case without independent investigation or inquiry, but after inquiry of the current asset managers who are employees of Transferors in its retail division. Such individuals' knowledge shall not include information or material which may be in the possession of any of the Transferors or the named individuals, but of which the named individuals are not actually aware. Transferors shall have no liability for the breach of any representations or warranties absent an arbitrated or judicial finding that the named individuals knowingly withheld information from Buyer with respect to the subject matter of the representation or warranty or falsified information delivered to and relied upon by Buyer and that such action amounted to a violation of a representation or warranty expressly set forth in this Agreement. None of the named individuals whose sole knowledge is imputed to a Transferors under this Section nor any party other than the Transferors affording a representation shall bear responsibility for any breach of such representation.

SECTION 4.2 Transferors' Covenants. Transferors hereby covenants and agrees as follows:

(a) During the Contract Period, Transferors will exercise reasonable and good faith efforts (i) to operate and maintain the Properties in a manner consistent with current practices and (ii) to comply, where such compliance is the obligation of Transferors (and not of a tenant or other party) in all material respects with all material laws and regulations applicable to the Properties;

(b) During the Contract Period, Transferors will not sell or otherwise dispose of any significant items of Personal Property unless replaced with an item of like value, quality and utility;

(c) During the Contract Period, Transferors shall not enter into or modify any Contracts relating to the operation or maintenance of a Property, except for (i) those entered into in the ordinary course of business with parties which are not affiliates of Transferors and (A) which are cancelable upon not more than thirty (30) days prior notice without penalty or premium or (B) which require payments to the applicable vendor of $25,000 or less per year and

which, in the aggregate for any individual Property, require payments to the applicable vendors of $50,000 or less per year, or (ii) those otherwise approved by Buyer, which approval shall not be unreasonably withheld and shall be deemed given if Buyer should fail to approve or disapprove proposed Contract matters in writing within 5 business days following Transferor's written request (which shall include all material information necessary to allow Buyer to make an informed decision). At Buyer's written request provided at least five (5) business days prior to the Closing Date, Transferors shall deliver notice of termination on the Closing Date as to any and all Contracts that Buyer desires to terminate, provided that such termination shall be effective following any notice or waiting period for such termination described in the Contract and that Transferors shall not be required to bear any termination or cancellation fee or charge that may be assessed under such Contract based upon an early termination. Notwithstanding the foregoing, Transferors shall terminate all property management agreements and exclusive leasing agreements applicable to the Properties as of the Closing Date, at Transferors' expense;

(d) During the Contract Period, Transferors will not execute or modify in any material fashion any Leases pertaining to premises in excess of 5,000 rentable square feet or any ground lease, other than with Buyer's prior consent, which shall be deemed given if Buyer (in the person of Burnham Pacific Properties, Inc.'s chief investment officer or chief operating officer) should fail to approve or disapprove proposed lease matters in writing within 5 business days following Transferors' written request (which shall include all material information necessary to allow Buyer to make an informed decision). Buyer shall exercise its rights of approval of leasing matters reasonably and in good faith. With respect to new Leases or Lease amendments pertaining to premises of 5,000 rentable square feet or less, Transferors shall have the right to enter into new Leases or amendments without any need to obtain Buyer's consent, provided that (A) such new Lease or amendment is entered into on an arm's length basis and the applicable Transferors believes in its good faith reasonable discretion that it is entering into such new Lease or

modification on market terms (B) such new Lease or amendment does not provide for a cap on the pass through of cost recoveries or exclude the recovery of management fees, (C) such new Lease or amendment does not contain a material change to the assignment provision of Transferors' standard lease form in use at the applicable Property (the "Standard Form"), (D) with respect to a new Lease, Transferors initiated negotiations with such tenant using the Standard Form and any changes thereto are consistent with Transferors' standard leasing practices, and (E) Buyer is provided with a copy of the executed Lease or modification documents within a reasonable period after such documents are executed. Transferors shall use reasonable efforts to continue to seek leases for the Properties in a manner consistent with present practice;

(e) During the Contract Period, except with respect to actions taken by Third Parties without the applicable Transferor's consent in connection with Joint Venture Properties, Transferors shall not voluntarily create, consent to or acquiesce in the creation of liens or exceptions to title without Buyer's prior written consent, provided that Buyer shall not unreasonably withhold or delay consent to any proposed matters affecting title necessary to maintain or enhance the value of the pertinent Property;

(f) During the Contract Period, Transferors shall maintain its currently effective policies of property insurance and rental loss insurance for the Improvements;

(g) During the Contract Period, Transferors shall use commercially reasonable efforts (but at no material cost to Transferors except as may otherwise be expressly provided in this Agreement) to obtain all third party and governmental approvals and consents necessary to consummate the transactions contemplated hereby;

(h) During the Contract Period, Transferors shall maintain their books accounts and records in a manner consistent with past practice;

(i) During the Contract Period, Transferors shall observe and comply with the material terms and conditions of all Contracts, Leases, Property licenses, and Property approvals;

(j) During the Contract Period, Transferors shall not knowingly and intentionally take any action which would cause the representations and warranties contained in Section 4.1 (other than as permitted in this Agreement) to cease to be true and correct in all material respects as of the Closing Date as though then made;

(k) During the Contract Period, Transferors shall comply in all material respects with all existing easements, covenants, conditions, restrictions and other encumbrances affecting any Property;

(l) During the Contract Period, Transferors shall reasonably cooperate with Buyer, but at no cost to Transferors, (i) to assist Buyer in obtaining environmental insurance coverage for the Properties (provided, that in no event shall Buyer have the right to perform any environmental testing in connection with obtaining such insurance) and (ii) to enable Buyer to exercise and close on the Applewood Option (as defined in the Disclosure Materials List & Statement) and, at Buyer's written request, with respect to any other similar options or rights described on Exhibit V attached hereto, as soon as possible after the closing, provided such option(s) shall not be exercised or caused to be exercised by Buyer prior to the closing and Transferors shall not be required to exercise such option(s) prior to the closing);

(m) During the Contract Period, but subject to the provisions of Sections 2.4 and 2.5, Transferors shall permit Buyer, and Buyer's lenders and its representatives, to have reasonable access (upon reasonable notice, during normal business hours and, if required by Transferors, accompanied by a representative of Transferors) to the books, records and Properties, and, with Transferors' prior approval not to be unreasonably withheld, tenants, parties to REAs, parties to options and rights of first refusal, and parties to management agreements and Contracts, in order to assist Buyer in its management transition with respect to the Properties and to provide information to its lenders that is reasonably requested by them;

(n) As a courtesy to Buyer, during the Contract Period, Transferors shall use reasonable efforts to provide Buyer with copies of any written notices received by Transferors during the Contract Period, which notices relate to matters described in Section 4.1(b)(i), (ii), (iii), (iv), (vi), (vii) or (viii); provided, that notwithstanding anything to the contrary contained in this Agreement, Transferors shall have no liability whatsoever to Buyer as a result of its failure to comply with the provisions of this Section 4.2(n);

(o) During the Contract Period, Transferors shall provide reasonable access to the Disclosure Materials (upon reasonable notice and during

normal business hours) and the right

to copy such materials (at no cost to Transferors) in order to assist Buyer in its management transition with respect to the Properties and to provide information to its lenders that is reasonably requested by them;

(p) During the Contract Period, Transferors shall meet and confer with Buyer on a regular basis to discuss leasing activity at the Properties and the status of work described in Section 6.9 and shall provide Buyer at such meetings or otherwise reasonably detailed information regarding the costs incurred with respect to, and the costs anticipated to complete, such work;

(q) During the Contract Period, Transferors shall notify Buyer of any litigation filed against Transferors during the Contract Period within a reasonable period of time after Transferors are made aware of such litigation and Exhibit W shall be revised to include such litigation; and

(r) During the Contract Period, to the extent Transferors have a right of first offer or right of first refusal to purchase any real property related to any of the Properties and Transferors receive written notice that the period for exercising such right has commenced, Transferors shall promptly notify Buyer and Buyer shall have the right, by written notice to Transferors, to request that at closing Transferors assign such right to Buyer (if assignable) or use reasonable efforts to cause the applicable property to be direct deeded to Buyer; provided, that in no event shall Transferors have any liability or incur any cost with respect to such property or be required to take title to such property, and Buyer shall deliver to Title Company at the times required in connection with such right to purchase, and remain responsible for, any funds to be paid in connection with the acquisition of such property.

SECTION 4.3 Buyer's Warranties and Representations. Buyer hereby represents and warrants to Transferors that the following are true as of the date of this Agreement:

(a) Buyer is a duly formed and validly existing limited liability company under the law of the state of its formation and is (or on the Closing Date will be) in good standing under the laws of the states where each Property is located and Buyer has the full right, authority and power to enter into this Agreement, to consummate the transactions contemplated herein and to perform its obligations hereunder and under those documents and instruments to be executed by it at the closing, and each of the individuals executing this Agreement on behalf of Buyer is authorized to do so, and this Agreement constitutes a valid and legally binding obligation of Buyer enforceable against Buyer in accordance with its terms.

(b) Buyer's execution and delivery of this Agreement, the consummation of the transactions contemplated hereby and the performance of Buyer's obligations under the instruments required to be delivered by Buyer at the closing, do not and will not result in any material violation of, or material default under, any term or provision of any agreement, instrument, mortgage, loan agreement or similar document to which Buyer is a party or by which Buyer is bound.

(c) There is no litigation, investigation or proceeding pending or, to the best of Buyer's knowledge, contemplated or threatened against Buyer which would impair or

adversely affect Buyer's ability to perform its obligations under this Agreement or any other instrument or document related hereto.

SECTION 4.4 Survival/Limitations.

(a) Subject to subsection (b) below, the parties agree that Transferors' warranties and representations contained in Sections 4.1 (a) and (b) of this Agreement shall survive Buyer's purchase of the Properties and the Closing Date for a period ending 180 calendar days following the Closing Date (the "Limitation Period"). Such termination as of the close of the Limitation Period shall apply to known as well as unknown breaches of such warranties or representations. Subject to subsection (b) below, Buyer's waiver and release set forth in Section 2.4 shall apply fully to liabilities under such representations and warranties. Buyer specifically acknowledges that such termination of liability represents a material element of the consideration to Transferors.

(b) Any claim of Buyer based upon a breach of any representation or warranty or covenant or a claim under any indemnity contained in this Agreement or any representation, warranty, covenant or indemnity contained in any other document or instrument delivered by Transferors to Buyer at closing (collectively a "Breach") shall be expressed, if at all, in writing

setting forth in reasonable detail the basis and character of the claim (a "Claim Notice"), and, in the case of a Breach of Transferors' representations and warranties contained in this Agreement or a Breach of a covenant contained in Section 4.2 hereof only, shall be delivered to Transferors prior to the expiration of the Limitation Period. Notwithstanding the foregoing, Buyer's right to make and recover any claim pursuant to a Claim Notice shall be subject to the following: (i) any matters identified by Buyer during the Confirmation Period which would represent both a breach of representation and result in a Material Adverse Matters Amount shall be treated solely as the latter and shall not be the subject of any claim for breach of representation under this Article IV, (ii) with respect to a Breach of Transferors' representations and warranties contained in this Agreement, or a Breach of a covenant contained in Section 4.2 hereof or a Breach under an indemnity contained in the Assignments of Intangibles or the Assignments of Leases (as such terms are defined in Section 6.1(a) below), Buyer shall not make any claim on account of such Breach unless and until (A) the aggregate measure of such claims with respect to a Property exceeds $200,000, and (B) the aggregate measure of such claims with respect to all of the Properties exceeds $375,000 (the "Threshold"), in which event Buyer's claim shall be limited to an amount equal to (x) the amount by which such aggregate exceeds the Threshold, plus (y) an amount equal to two-thirds of the Threshold, (iii) Transferors' aggregate liability for claims arising out of all Breaches (i.e., those described in clause (ii) above as well as all other Breaches) shall not, in the aggregate, exceed an amount equal to three percent (3%) of the aggregate Price for all of the Properties acquired by Buyer exclusive of the amounts of any insurance proceeds actually received by Transferors which are to be applied to Claims pursuant to Section 2.4(e), and (iv) Buyer shall have the right to deliver to Transferors Claim Notices with respect to any Breach discovered by Buyer prior to the Closing Date solely if such notice is delivered prior to the Closing Date. Notwithstanding the foregoing, with respect to a Claim Notice asserting a breach of the representation contained in Section 4.1(b)(vii), the following shall be substituted for the provisions of clause (ii) of this Section 4.4(b): (ii) Buyer shall not make any claim on account of a breach of the representation and warranty contained in Section 4.1(b)(vii) with respect to any Property unless and until the aggregate measure of such claims with respect to all

Properties exceeds $50,000, and only to the extent that such aggregate exceeds $50,000. For purposes of this Section 4.4(b) (and without limiting the introductory paragraph of Section 4.1), a Breach shall be deemed to be discovered by Buyer prior to the Closing Date only to the extent that any of David Martin, Daniel Platt, Joseph Byrne, Scott Verges, John Waters, Jim Gaube or Guy Jacquier has actual, subjective knowledge of the facts or circumstances giving rise to such breach of representation or warranty or Section 4.2 covenants. Following receipt of such a pre-closing Claim Notice with respect to which Buyer has the right to make and recover a claim as aforesaid, Transferors may elect, by written notice to Buyer given not later than the first to occur of the date that is ten (10) business days following the date of the Claim Notice or the Closing Date, to terminate this Agreement as to the Property to which such pre-closing Claim Notice relates and such Property shall be treated as a Deleted Property and Buyer shall not be entitled to any damages in connection therewith. If Transferors fail to elect to treat any Property which is the subject of a pre-closing Claim Notice as a Deleted Property, the closing as to such Property shall be conducted on the Closing Date. As to pre-closing Claim Notices with respect to which Transferors do not elect to treat the affected Property as a Deleted Property and as to all Claim Notices received by Transferors following the Closing Date as to which Buyer has the right to make and recover a claim as aforesaid, Buyer shall have the right after (but not before) the Closing Date to proceed against Transferors for actual monetary damages based upon such Claim Notice -- subject to the cure rights set forth in subparagraph (c) below and the limitations set forth above and in the remaining sentences of this subparagraph. Notwithstanding anything to the contrary provided in this Agreement, in no event shall Transferors be liable to Buyer for any consequential or punitive damages based upon any breach of this Agreement, including breaches of representation or warranty. Subject to applicable principles of fraudulent conveyance, in no event shall Buyer seek satisfaction for any obligation from any shareholders, officers, directors, employees, agents, legal representatives, successors or assigns of such trustees or beneficiaries, nor shall any such person or entity have any personal liability for any such obligations of any Transferors.

(c) The Transferors who have committed a Breach for which a Claim Notice has been received shall have a period of 30 days within which to cure such breach, or, if such breach cannot reasonably be cured within 30 days, an additional reasonable time period of up to an additional 60 days, so long as such cure has been commenced within such 30 days and is at all times diligently pursued. If the Breach is not cured after actual written notice and within such cure period, Buyer's sole remedy shall be an action at law for damages against the breaching Transferor or Transferors, which must be commenced with respect to a Breach of a representation or warranty contained in this Agreement or a Breach of a covenant contained in Section 4.2 hereof, if at all, within the Limitation Period; provided, however, that if within the Limitation Period Buyer gives a Claim Notice and the Transferors commence to cure and thereafter terminate such

cure effort or fail in such cure effort, Buyer shall have an additional 30 days from the date of written notice from the Transferors of such termination or the expiration of such cure period within which to commence an action at law for damages as a consequence of the failure to cure. The existence or pendency of such cure rights shall not delay the Closing Date as to a Property not designated as a Deleted Property. The provisions of this Section 4.4 shall survive the closing or any termination of this Agreement.

ARTICLE 5
DEPOSIT; DEFAULT

SECTION 5.1 Buyer's Default & Deposit.

(a) Substantially concurrently with the execution and delivery of this Agreement, Buyer shall deliver to Title Company, for deposit into the escrow described in Section 6.1 below, cash in an amount equal to Five Million Dollars ($5,000,000), which amount shall be increased on April 30, 1999 by an additional One Million Two Hundred Fifty Thousand Dollars ($1,250,000), and which amount shall be further increased on July 31, 1999 by an additional One Million Five Hundred Thousand Dollars ($1,500,000) (collectively, the "Deposit"). In the event that this transaction is consummated as contemplated by this Agreement, then the entire amount of the Deposit, together with any interest accrued thereon, whether in cash or in the form of a Letter of Credit (as herein defined) shall be returned to Buyer and in no event shall the Deposit be credited against the Price. The entire amount of the Deposit (or the portion of the Deposit allocable to Properties with respect to which Transferors refuse to perform their material closing obligations), together with any interest accrued thereon, shall be returned immediately to Buyer in the event that the transaction fails to close due to termination of this Agreement pursuant to Section 5.2. IN THE EVENT THE TRANSACTION CONTEMPLATED BY THIS AGREEMENT SHOULD FAIL TO CLOSE AS A RESULT OF BUYER'S DEFAULT HEREUNDER, THE ENTIRE AMOUNT OF THE DEPOSIT, PLUS ACCRUED INTEREST, (AND TO THE EXTENT THE DEPOSIT IS IN THE FORM OF A LETTER OF CREDIT, TITLE COMPANY SHALL IMMEDIATELY MAKE DEMAND FOR THE PRINCIPAL AMOUNT OF THE LETTER OF CREDIT) SHALL BE PAID BY THE TITLE COMPANY TO TRANSFERORS AS LIQUIDATED DAMAGES (THE "LIQUIDATED AMOUNT"). BUYER AND TRANSFERORS HEREBY ACKNOWLEDGE AND AGREE THAT TRANSFERORS' DAMAGES IN THE EVENT OF SUCH A BREACH OF THIS AGREEMENT BY BUYER WOULD BE DIFFICULT OR IMPOSSIBLE TO DETERMINE, THAT THE AMOUNT OF THE DEPOSIT PLUS ACCRUED INTEREST IS THE PARTIES' BEST AND MOST ACCURATE ESTIMATE OF THE DAMAGES TRANSFERORS WOULD SUFFER IN THE EVENT THE TRANSACTION PROVIDED FOR IN THIS AGREEMENT FAILS TO CLOSE, AND THAT SUCH ESTIMATE IS REASONABLE UNDER THE CIRCUMSTANCES EXISTING ON THE DATE OF THIS AGREEMENT. BUYER AND TRANSFERORS AGREE THAT TRANSFERORS' RIGHT TO RETAIN THE DEPOSIT PLUS ACCRUED INTEREST SHALL BE THE SOLE REMEDY OF TRANSFERORS IN THE EVENT OF A BREACH OF THIS AGREEMENT BY BUYER.

ACCEPTED AND AGREED TO:

_____ _____
BUYER'S INITIALS TRANSFEROR'S INITIALS

This Section 5.1 is intended only to liquidate and limit Transferors' rights to damages arising due to Buyer's failure to purchase the Properties and shall not limit the indemnification or other obligations of (i) Buyer's constituent partners pursuant to the Confidentiality Agreement dated January 25, 1999 executed by Burnham Pacific Properties, Inc. for the benefit of Transferors (the

"BP Confidentiality Agreement") and the Confidentiality Agreement dated January 25, 1999 executed by the State of California Public Employees' Retirement System ("Calpers") for the benefit of Transferors (the "Calpers Confidentiality Agreement;" which, together with the BP Confidentiality Agreement, are collectively referred to as the "Confidentiality Agreements") or (ii) Buyer pursuant to (A) any other documents delivered pursuant to this Agreement or (B) Sections 2.4(b), 2.4(e), 7.2, 7.9 and 7.13 of this Agreement. In the event that any Property becomes a Deleted Property pursuant to the provisions of this Agreement, then Buyer shall have the right to cause Title Company to withdraw from the escrow and pay to Buyer (or to reduce any letter of credit, as applicable, by) an amount equal to the product of (x) the Deposit (and interest accruing thereon) and (y) the quotient expressed as a percentage, of the Allocated Price with respect to such Deleted Property and the total Price.

(b) In the event that Transferors are entitled to the Deposit pursuant to Section 5.1 hereof, an amount equal to the lesser of (i) the Liquidated Amount or (ii) the sum of (A) the maximum amount that can be paid to Transferors without causing Transferors (or any of their constituent partners) to fail to meet the requirements of Sections 856(c)(2) and 856(c)(3) of the Code, determined as if the payment of such amount did not constitute income described in Section 856(c)(2)(A)-(H) and 856(c)(3)(A)-(I) of the Code ("Qualifying Income"), as determined by Transferors' accountants, plus (B) in

the event Transferors receive either (x) a letter from Transferors' counsel prior to the Closing Date indicating that Transferors (or their constituent partners, as applicable) has received a ruling from the Internal Revenue Service (the "IRS") described in clauses (ii) or (iii) of the following paragraph, or (y) an opinion from Transferors' (or their constituent partners', as applicable) counsel as described in clause (iv) of the following paragraph, an amount equal to the Liquidated Amount less the amount payable under clause (A) above, and any balance of the Liquidated Amount (the "Balance") shall be retained by Title Company in escrow in accordance with the terms of an escrow (subject to the terms of the following paragraph) being otherwise agreed upon by Transferors and the escrow agent.

(c) The escrow agreement described in Section 5.1(b) shall provide that the amount in escrow or any portion thereof shall not be released to Transferors except to the extent the escrow agent receives any one or combination of the following: (i) a letter from Transferors' accountants indicating the maximum amount that can be paid by the escrow agent to Transferors without causing Transferors (or any of their constituent partners, as applicable) to fail to meet the requirements of Sections 856(c)(2) and 856(c)(3) of the Code, determined as if the payment of such amount did not constitute Qualifying Income, in which case the escrow agent shall release the amount indicated in such letter to Transferors, (ii) a letter from Transferors' (or any of their constituent partner's, as applicable) counsel indicating that Transferors (or any of its constituent partners, as applicable) received a ruling from the IRS holding that the receipt by Transferors (or any of their constituent partners, as applicable) of the Liquidated Amount would either constitute Qualifying Income or would be excluded from gross income within the meaning of Sections 856(c)(2) and 856(c)(3) of the Code, in which case the escrow agent shall release the Balance to Transferors, (iii) a letter from Transferors' (or any of their constituent partners' as applicable) counsel indicating that Transferors (or any of their constituent partners, as applicable) received a ruling from the IRS holding that the receipt by a Transferor (or

its constituent partner, as applicable) of the Balance following the receipt of and pursuant to such ruling would not be deemed constructively received prior thereto or (iv) an opinion of a Transferor's (or its constituent partner's, as applicable) legal counsel to the effect that the receipt by a Transferor (or its constituent partner, as applicable) of the Liquidated Amount would either constitute Qualifying Income or would be excluded from gross income within the meaning of Sections 856(c)(2) and 856(c)(3) of the Code, in which case the escrow agent shall release the Balance to Transferors. Buyer and Title Company agree to act reasonably and cooperate with Transferor in order (x) to maximize the portion of the Liquidated Amount that may be distributed to Transferors hereunder without causing a Transferor (or its constituent partner, as applicable) to fail to meet the requirements of Sections 856(c)(2) and 856(c)(3) of the Code or (y) to improve a Transferor's (or any of their constituent partner's, as applicable) chances of securing a favorable ruling described in this Section 5.1(c), provided that, except as otherwise provided in this Agreement, Buyer and Title Company shall not be required to incur any out-of-pocket costs in connection therewith. The escrow agreement shall also provide that any portion of the Liquidated Amount then held in escrow after the expiration of five (5) years from the date of the establishment of such escrow shall be released by the escrow agent to Buyer. Buyer shall not be a party (other than a contingent beneficiary as described above) to such escrow arrangements and shall not bear any cost of or have liability resulting from such escrow arrangements.

SECTION 5.2 Transferors' Default. If (a) the conditions precedent set forth in Section 3.1(b) shall have been satisfied or waived (provided that for purposes of this Section Buyer shall not be required to tender formally the Price but only demonstrate the commitment of immediately available funds to pay such Price) and (b) Transferors shall refuse to perform their material closing obligations under this Agreement (e.g., by refusing to convey a Property to Buyer at Closing), then Buyer's sole and exclusive remedy shall be either (i) to receive back the Deposit in the event Transferors refused to perform their material closing obligations with respect to all of the Properties (or the portion of the Deposit allocable to Properties with respect to which Transferors refuse to perform their material closing obligations) plus all accrued interest thereon or (ii) to pursue an action for specific performance on a Property by Property basis as to those Properties with respect to which Transferors refuse to perform their material closing obligations ; provided, that notwithstanding anything to the contrary contained herein, Buyer's right to pursue an action for specific performance is expressly conditioned on Buyer not being in default or having defaulted in any material respect under any other material agreement in which Buyer or any of its constituent members and any of the Transferors is a party and which was entered into on or after March 1, 1999. Subject to the foregoing, Buyer acknowledges that Buyer's remedies for Transferor's failure to perform all of its material obligations under this Agreement with respect to the sale or exchange of a particular Property but less than all of the Properties shall be exclusively governed by the provisions of Section 3.2 above. Nothing contained in this Section 5.2 is intended to limit Buyer's rights under Sections

7.2, 7.9 and 7.13 of this Agreement.

SECTION 5.3 Solicitation; Negotiations.

(a) Unless and until this Agreement shall have been terminated in accordance with its terms, the Transferors agree and covenant that (i) neither Transferors nor any of their respective subsidiaries or affiliates nor AMB Property Corporation, a Maryland corporation, which is AMBLP's general partner (the "Company"), shall, and each of them shall direct and use their best efforts to cause their respective officers, directors, employees, agents and representatives (including, without limitation, any investment banker, attorney or accountant retained by it or any of its subsidiaries) not to, directly or indirectly, initiate, solicit or encourage

any inquiries or the making or implementation of any proposal or offer with respect to a merger, acquisition, or similar transaction involving the direct or indirect purchase of the Properties (any such proposal or offer being hereinafter referred to as an "Acquisition Proposal") or engage in any negotiations with, or provide any confidential information or data to, or have any discussions with, any person relating to, an Acquisition Proposal, or otherwise facilitate any effort or attempt to make or implement an Acquisition Proposal.

(b) Notwithstanding anything set forth in this Agreement to the contrary, the Board of Directors of the Company may furnish information to or enter into discussions or negotiations with any person that makes an unsolicited bona fide proposal to purchase all or a portion of the Properties having aggregate Allocated Price of at least eighty-five percent (85%) of the aggregate Price of all of the Properties, whether by merger, purchase of partnership interests or assets or otherwise (a "Proposal"), if the Board of Directors of the Company determines in good faith that the Proposal, if consummated as proposed, would result in a transaction more favorable to the Company's stockholders from a financial point of view than the transactions contemplated by this Agreement (any such Proposal being referred to herein as a "Superior Proposal"). If the Board of Directors of the Company is prepared to accept the Superior Proposal, then Transferors shall have the right to terminate this Agreement by giving Buyer 48 hours notice that the Board of Directors is prepared to accept the Superior Proposal, instructing the Title Company to return the Deposit to Buyer and in addition paying Buyer a termination fee in the amount of the then current Deposit (as increased or decreased from time to time pursuant to this Agreement) (excluding the amount of any remaining Deposit allocable to any Properties which were previously designated as Deleted Properties) (the "Termination Fee"). The return of the Deposit (and all interest accrued thereon) and the additional payment of the Termination Fee shall be Buyer's sole and exclusive remedy in the event of a termination pursuant to this Section 5.3

(c) In addition to the provisions set forth in Sections 5.3(a) and 5.3(b) hereof, nothing in this Agreement shall be deemed to prevent in any manner the taking of any action by the Company with respect to any merger, consolidation or sale of all or substantially all of the assets of the Company or any of the Transferors, in the event that the Board of Directors of the Company shall determine, based on advice of outside legal counsel, that the failure to take such action would be inconsistent with such Board of Directors' fiduciary duties to the Company's stockholders under applicable law. In the event that such action would be inconsistent with the transactions contemplated hereby, then Transferors shall have the right to terminate this Agreement by giving Buyer 48 hours notice that such Board of Directors is prepared to take such action, instructing the Title Company to return the Deposit to Buyer and in addition paying Buyer the Termination Fee. The return of the Deposit and the additional payment of the Termination Fee shall be Buyer's sole and exclusive remedy in the event of a termination pursuant to this Section 5.3.

(d) In the event that Transferors are obligated to pay Buyer the Termination Fee, Transferors shall pay to Buyer an amount equal to the lesser of (i) the Termination Fee or (ii) the sum of (A) the maximum amount that can be paid to Buyer without causing Buyer (or any of its members) to fail to meet the requirements of Sections 856(c)(2) and 856(c)(3) of the Code, determined as if the payment of such amount did not constitute income described in Section 856(c)(2)(A)-(H) and 856(c)(3)(A)-(I) of the Code ("Qualifying Income"), as determined

by Buyer's accountants, plus (B) in the event Buyer receives either (x) a letter from Buyer's counsel prior to the Closing Date indicating that Buyer (or its members, as applicable) has received a ruling from the Internal Revenue Service (the "IRS") described in clauses (ii) or (iii) of the following paragraph, or (y) an opinion from Buyer's (or its member's, as applicable) counsel as described in clause (iv) of the following paragraph, an amount equal to the Termination Fee less the amount payable under clause (A) above, and any balance

of the Termination Fee (the "Balance") shall be deposited by Transferors in escrow in accordance with the next succeeding sentence with the Title Company or other escrow agent selected by Buyer and reasonably acceptable to Transferors. Transferors shall deposit into such escrow an amount in immediately available federal funds equal to the Balance, with the terms of such escrow (subject to the terms of the following paragraph) being otherwise agreed upon by Buyer and the escrow agent. All payments by Transferors pursuant to this paragraph shall be made by wire transfer or bank check within thirty (30) days after demand by Buyer. Payment to Buyer of the amounts set forth in this Section 5.3(d) and, if applicable, deposit into escrow of the Balance, shall satisfy Transferors' obligations in full under the terms and conditions of this Section 5.3.

(e) The escrow agreement described in Section 5.3(d) shall provide that the amount in escrow or any portion thereof shall not be released to Buyer except to the extent the escrow agent receives any one or combination of the following: (i) a letter from Buyer's accountants indicating the maximum amount that can be paid by the escrow agent to Buyer without causing Buyer (or its member, as applicable) to fail to meet the requirements of Sections 856(c)(2) and 856(c)(3) of the Code, determined as if the payment of such amount did not constitute Qualifying Income, in which case the escrow agent shall release the amount indicated in such letter to Buyer, (ii) a letter from Buyer's (or its member's, as applicable) counsel indicating that Buyer (or its member, as applicable) received a ruling from the IRS holding that the receipt by Buyer (or its member, as applicable) of the Termination Fee would either constitute Qualifying Income or would be excluded from gross income within the meaning of Sections 856(c)(2) and 856(c)(3) of the Code, in which case the escrow agent shall release the Balance to Buyer, (iii) a letter from Buyer's (or its member's, as applicable) counsel indicating that Buyer (or its member, as applicable) received a ruling from the IRS holding that the receipt by Buyer (or its member, as applicable) of the Balance following the receipt of and pursuant to such ruling would not be deemed constructively received prior thereto or (iv) an opinion of Buyer's (or its member's, as applicable) legal counsel to the effect that the receipt by Buyer (or its member, as applicable) of the Termination Fee would either constitute Qualifying Income or would be excluded from gross income within the meaning of Sections 856(c)(2) and 856(c)(3) of the Code, in which case the escrow agent shall release the Balance to Buyer. Transferors agree to act reasonably and cooperate with Buyer in order (x) to maximize the portion of the Termination Fee that may be distributed to Buyer hereunder without causing Buyer (or its member, as applicable) to fail to meet the requirements of Sections 856(c)(2) and 856(c)(3) of the Code or (y) to improve Buyer's (or its member's, as applicable) chances of securing a favorable ruling described in this Section 5.3(e), provided that Transferors shall not be required to incur any out-of-pocket costs in connection therewith. The escrow agreement shall also provide that any portion of the Termination Fee then held in escrow after the expiration of five (5) years from the date of the establishment of such escrow shall be released by the escrow agent to Transferors. Transferors shall not be a party (other than a contingent beneficiary as described above) to such escrow arrangements and shall not bear any cost of or have liability resulting from such escrow arrangements.

SECTION 5.4 Letter of Credit. In lieu of depositing the Deposit in cash pursuant to this Agreement, or after depositing the Deposit in cash, in substitution for all or any portion of the cash Deposit, Buyer may deliver to Title Company an unconditional and irrevocable letter of credit in favor of Title Company, in form reasonably satisfactory to Transferors and Title Company, drawn upon a state or national bank reasonably approved by Transferors and Title Company, which letter of credit shall (i) expire no earlier than fifteen (15) days after the scheduled Closing Date (as such date may be changed with respect to all of the Properties or a particular Property pursuant to this Agreement), (ii) be capable of being drawn on by Title Company upon demand (subject to customary draw procedures and requirements) and (iii) otherwise be in form and substance reasonably satisfactory to Transferors and Title Company (the "Letter of Credit"). The Letter of Credit shall secure the faithful performance and observance by Buyer of the terms, provisions, and conditions of this Agreement in the same manner and to the same extent as the Deposit. The Letter of Credit shall be held and disbursed by Title Company in the same manner as the Deposit, except that:

(a) if the term of the Letter of Credit will expire prior to the then scheduled Closing Date (as such date may be changed with respect to all of the Properties or a particular Property pursuant to this Agreement), and such Letter of Credit is not extended or a new Letter of Credit for an extended period of time is not substituted within five (5) business days prior to the expiration date of the Letter of Credit, then Title Company shall make demand for the principal amount of the Letter of Credit prior to the expiration date of the Letter of Credit and hold such funds in the same manner as the Deposit pursuant to this Agreement;

(b) if Title Company continues to hold the Letter of Credit at closing and the closing occurs as contemplated by this Agreement, subject to (c) below such Letter of Credit shall be returned to Buyer at closing; and

(c) in any instance in which a portion of the Deposit is to be returned to Buyer pursuant to this Agreement or in which a closing occurs and subsequent closings are contemplated due to the deferral of the closing with respect to one or more of the Properties and in order to do so the amount of the Letter of Credit would have to be reduced, the Title Company shall continue to hold the Letter of Credit in the manner set forth in and subject to the provisions of this Section 5.4 until Buyer has provided a substitute Letter of Credit in the amount of the Deposit as so reduced.

ARTICLE 6
CLOSING

SECTION 6.1 Escrow Arrangements. One or more escrows (to the extent more than one escrow is necessary to accommodate Transferors' 1031 Exchange(s)) for the purchase and sale contemplated by this Agreement shall be opened by Buyer and Transferors with Title Company. At least one business day prior to the Closing Date, Transferors and Buyer shall each deliver escrow instructions to Title Company consistent with this Article VI, and designating Title Company as the "Reporting Person" for the transaction pursuant to Section 6045(e) of the Code. By signing below, Title Company agrees to act as the "Reporting Person" for the transaction pursuant to Section 6045(e) of the Code and to complete and file with the IRS Forms 1099-S (and furnish Buyer and Transferors with copies thereof) on or before the due date therefor. In

addition, the parties shall deposit in escrow, at least one business day prior to the Closing Date (unless otherwise provided below in this Section 6.1) the funds and documents described below:

(a) Transferors shall deposit (or cause to be deposited):

(i) a duly executed and acknowledged deed pertaining to the Real Property portion of each of the Properties, each in the form attached to this Agreement as Exhibit I-A (collectively, the "Deeds");

(ii) a duly executed bill of sale pertaining to the Personal Property portion of each of the Properties, each in the form attached to this Agreement as Exhibit I-B (collectively, the "Bills of Sale");

(iii) a duly executed counterpart assignment and assumption pertaining to the Intangible Property portion of each of the Properties, each in the form attached to this Agreement as Exhibit I-C (collectively, the "Assignments of Intangibles");

(iv) a duly executed counterpart assignment and assumption pertaining to the Leases, each in the form attached to this Agreement as Exhibit I-D (collectively, the "Assignments of Leases");

(v) a certificate from each Transferors certifying the information required by any of the states in which any of the Properties are located to establish that the transaction contemplated by this Agreement is exempt from the tax withholding requirements of such states (the "State Certificates");

(vi) a certificate from each Transferors certifying the information required by 1445 of the Code to establish, for the purposes of avoiding Buyer's tax withholding obligations, that Transferors is not a "foreign person" as defined in 1445(f)(3) of the Code (the "FIRPTA Certificate");

(vii) a letter executed by each respective Transferors and, if applicable, its respective management agent and the Buyer, in form and substance satisfactory to Buyer, addressed to all tenants of each respective Property, notifying all such tenants of the transfer of ownership of the Property and directing payment of all rents accruing after the Closing Date to be made to Buyer or such other party as Buyer directs (the "Tenant Notices");

(viii) to the extent not previously delivered to Buyer and in Buyer's possession or under its control, originals of any of the Contracts, Leases, licenses, approvals, plans, specifications, warranties, other Intangible Property and other books and records relating to the ownership and operation of the Property (or if the original is not in the Transferors' possession or control, copies thereof to the extent in Transferors' possession or control);

(ix) an updated Rent Roll for each Property in the same format as was used for the Rent Rolls attached hereto as Exhibit E or in such other format as is reasonably acceptable to Buyer dated no later than five (5) days prior to closing, which updated Rent Roll will be used solely for the purpose of (i) identifying all Leases at such Property as of the applicable Closing Date and (ii) allowing the Title Company to issue Buyer's title insurance

policies subject to no exception for parties in possession other than the Leases identified in the Rent Roll;

(x) subject to the provisions of Section 2.6, such affidavits as may be reasonably and customarily required by the Title Company to issue the Title Policies in the form required hereby (including, without limitation, without exception for parties-in-possession (other than tenants under the Leases) or mechanics' or materialmen's liens which are to be satisfied by Transferors pursuant to Section 2.6);

(xi) the Remediation and Access Agreement (as herein defined); and

(xii) evidence reasonably satisfactory to the Title Company as to the legal existence and authority of the Transferors and the authority and incumbency of the persons signing documents on behalf of the Transferors.

In addition, Transferors shall deliver to Buyer on the Closing Date, outside of escrow, to the extent in Transferor's possession or control, the originals of all Leases, Contracts and tenant files and all keys to the Properties.

(b) Buyer shall deposit:

(i) on or prior to the close of business on the business day immediately prior to the Closing Date, immediately available funds sufficient to pay the balance of the Price, plus sufficient additional cash to pay Buyer's share of all escrow costs and closing expenses;

(ii) a duly executed counterpart for each of the Assignments of Intangibles, Assignments of Leases and Remediation and Access Agreement (and Tenant Notices where required);

(iii) a certificate duly executed by Buyer in favor of Transferors confirming the waivers and acknowledgments set forth in Sections 2.5 and 4.4 above; and

(iv) evidence reasonably satisfactory to Title Company as to the legal existence and authority of the Buyer and the authority and incumbency of the persons signing documents on behalf of the Buyer.

SECTION 6.2 Title. Title Company shall close escrow on the Closing Date by:

(a) recording the Deeds;

(b) issuing the owner's title policies to Buyer pursuant to Section 3.1(a)(i) above;

(c) delivering to Buyer originals of the Bills of Sale, the FIRPTA Certificate, the State Certificates, executed counterparts of each of the Assignments of Intangibles, Assignments of Leases and Remediation and Access Agreement and all of the other documents in escrow under Section 6.1(a);

(d) delivering to Transferors (or the exchange facilitator(s), as applicable) (i) a counterpart for each of the Assignments of Intangibles, the Assignments of Leases and the Remediation and Access Agreement executed by Buyer, (ii) the certificate described in Section 6.1(b)(iii) above, (iii) funds in the amount of the Sale Purchase Price, as adjusted for credits, adjustments, prorations and closing costs in accordance with Section 2.3 and this Article VI and as allocated pursuant to the direction of the Transferors (upon which allocation Buyer and Title Company shall have the right to conclusively rely) and (iv) funds in the amount of the Exchange Price, as adjusted for credits, adjustments, prorations and closing costs in accordance with Section 2.3 and this Article VI and as allocated pursuant to the direction of the Transferors (upon which allocation Buyer and Title Company shall have the right to conclusively rely); and

(e) if directed by the parties, delivering the Tenant Notices to the tenants by certified mail, return receipt requested.

SECTION 6.3 Prorations.

(a) Taxes. Real estate taxes, personal property taxes and any general or special assessments with respect to the Properties which are not the direct payment obligation of tenants pursuant to the Leases (as opposed to a reimbursement obligation) shall be prorated as of the Closing Date -- to the end that Transferors shall be responsible for all taxes and assessments that are

allocable to any period prior to the Closing Date and Buyer shall be responsible for all taxes and assessments that are allocable to any period from and after the Closing Date. Notwithstanding anything to the contrary contained herein, in regards to Real Property located in the States of Illinois and Colorado, (A) general real estate taxes which are not the direct or indirect (as a reimbursement obligation) payment obligations of tenants pursuant to the Leases and which are payable for the tax year prior to the tax year in which the closing occurs and all prior years shall be paid by Transferors (including any installments thereof payable after the Closing Date) and (B) general real estate taxes which are not the direct or indirect (as a reimbursement obligation) payment obligations of tenants pursuant to the Leases and which are payable for the tax year in which the closing occurs shall be prorated by Transferors and Buyer as of the Closing Date. If the actual amount of taxes, assessments or other amounts to be prorated for the year in which the closing occurs (and, with respect to Real Property located in Illinois and Colorado, for the tax year prior to the tax year in which the closing occurs) is not known as of the Closing Date, the proration shall be based on the parties' reasonable estimates of such taxes, assessments and other amounts. To the extent any real or personal property taxes subject to apportionment in accordance with the foregoing are, as of the Closing Date, the subject of any appeal filed by or on behalf of Transferors, then notwithstanding anything to the contrary contained in this subparagraph, (i) no apportionment of the taxes being appealed shall occur at the closing, but instead such apportionment shall be deferred until the outcome of the appeal is final and the amount of taxes owing becomes fixed at which time Transferors shall be responsible for all such taxes that are allocable to any period prior to the Closing Date and Buyer shall be responsible for all such taxes that are allocable to any period from and after the Closing Date, and (ii) Transferors shall provide Buyer with adequate security, either in the form of a bond or by escrowing the amounts being appealed, to assure Buyer that Transferors' portion of such tax liability, including any penalty, will be available. To the extent any taxes which are the subject of an appeal have been paid by Transferors under protest and the appeal results in Buyer receiving a credit toward future tax liability or a refund, then Buyer shall, within thirty (30) days

following receipt of such refund or notice of such credit, pay to Transferors the full amount of such refund or credit allocable to the period prior to the Closing Date, excluding, however, any portion of such refund or credit that is required to be passed through to the tenants pursuant to any Leases or to other parties by existing contract.

(b) Prepaid Expenses. Buyer shall be charged for those prepaid expenses paid by Transferors directly or indirectly allocable to any period from and after the Closing Date, including, without limitation, annual permit and confirmation fees, fees for licenses and all security or other deposits paid by Transferors to third parties which Buyer elects to assume and to which Buyer then shall be entitled to the benefits and refund following the Closing Date.

(c) Property Income and Expense. The following prorations and adjustments shall occur as of the closing. Prior to the Closing Date, Transferors shall provide all information to Buyer required to calculate such prorations and adjustments and representatives of Buyer and Transferors shall together make such calculations:

(i) General. Subject to the specific provisions of clauses (ii), (iii) and (iv) below, income and expense shall be prorated on the basis of a 30-day month and on a cash basis (except for items of income and expense that are payable less frequently than monthly, which shall be prorated on an accrual basis). All such items attributable to the period prior to the Closing Date shall be credited to Transferors; all such items attributable to the period on and following the Closing Date shall be credited to Buyer. Buyer shall be credited in escrow with (a) any portion of rental agreement or lease deposits which are refundable to the tenants and have not been applied to outstanding tenant obligations in accordance with the terms of the applicable Lease and (b) rent prepaid beyond the Closing Date. Transferors shall transfer Transferors entire interest in any letters of credit or certificates of deposit held by Transferors as the deposits described in clause (a) above and shall diligently cooperate with Buyer in obtaining any reissuance or confirmation of the effect of the transfer of such instruments. Buyer shall not be entitled to any interest on rental agreement or lease deposits or prepaid rent accrued on or before the Closing Date, except to the extent any such amount of interest is refundable or payable to any tenant under a Lease or applicable law. Transferors shall be credited in escrow with any refundable deposits or bonds held by any utility, governmental agency or service contractor, to the extent such deposits or bonds are assigned to Buyer on the Closing Date.

(ii) Leasing Costs. Subject to the provisions of Section 6.9 below, Buyer shall be credited in escrow with any leasing commissions, tenant improvements or other allowances to be paid by Buyer on or after the Closing Date with respect to the current term of any Lease or Lease modification executed, or any extension term or expansion of premises exercised,

in each case, on or before March 1, 1999, and Transferors shall pay on or before the Closing Date all such items payable prior to the Closing Date. Notwithstanding the provisions of the immediately following sentence, with respect to any new Leases or Lease modifications executed after March 1, 1999 with respect to any of the space identified on Exhibit S attached hereto which are permitted under the terms of this Agreement ("Vacant Space"), Transferors shall be credited in escrow with the amount of any leasing commissions, tenant improvements or other allowances paid by Transferors after March 1, 1999. Buyer shall receive a credit at closing against the Price in the amount of $7.00 per square foot of Vacant Space, whether or not such space is leased prior to closing. With respect to any space which is not Vacant Space, subject to

Section 6.9 Transferors shall be credited in escrow with an amount equal to (A) the amount of any leasing commissions, tenant improvement and other allowances paid by Transferors after March 1, 1999 to the extent such items relate to new Leases or Lease modifications executed or extensions of terms or expansions of premises that are exercised after March 1, 1999 and permitted under the terms of this Agreement, multiplied by (B) a fraction in which the numerator is the number of months or partial months of the stabilized term (i.e., the term following the tenant's entry into occupancy and commencement of unabated rental obligations) of any such Lease following the Closing Date and the denominator is the number of months or partial months in the stabilized term of such Lease. Buyer shall assume all obligations for any leasing commissions, tenant improvement or other allowances payable following the Closing Date with respect to Leases or Lease modifications executed or extensions of terms or expansions of premises that are exercised following March 1, 1999 and which are permitted under the terms of this Agreement; provided, that as to any such leasing commissions not disclosed to Buyer in the Disclosure Materials List & Statement or the Disclosure Materials or approved or deemed approved by Buyer pursuant to this Agreement or which are not expressly assumed by Buyer under any other provision of this Agreement, Buyer shall only be obligated to pay the market rate commission for the applicable Lease (and Transferors shall remain responsible for any above market component of such commission). Any expenditures or commitments to expenditures relating to Leases or modifications or extensions of terms or expansions of premises executed following March 1, 1999 in excess of the amounts budgeted and approved as part of Buyer's approval of the Lease (where such approval is required) shall be subject to Buyer's specific approval, which shall not be unreasonably withheld and shall be deemed given if Buyer should fail to approve or disapprove such excess expenditure within 5 business days following Transferors' written request and delivery of material information reasonably necessary to allow Buyer to make an informed decision.

(iii) Rents. Rents payable by tenants under the Leases, shall be prorated as and when collected (whether such collection occurs prior to, on, or after the Closing Date). Buyer shall receive a credit for the amounts actually received before the Closing Date and which pertain to any period after the Closing Date. Buyer shall not receive a credit at the closing for any rents for the month in which the closing occurs which are in arrears and have not then been received. As to any tenants who are delinquent in the payment of rent on the Closing Date, Buyer shall use reasonable efforts (but shall not be required to commence legal action or terminate or evict a tenant) to collect or cause to be collected such delinquent rents following the Closing Date. Any and all rents so collected by Buyer following the closing (less a deduction for all reasonable collection costs and expenses incurred by Buyer) shall be successively applied (after deduction for Buyer's reasonable collection costs) to the payment of (x) rent due and payable in the month in which the closing occurs, (y) rent due and payable in the months succeeding the month in which the closing occurs (through and including the month in which payment is made) and (z) rent due and payable in the months preceding the month in which the closing occurs. If all or part of any rents or other charges received by Buyer following the closing are allocable to Transferors pursuant to the foregoing sentence, then such sums shall be promptly paid to Transferors. Transferors reserve the right to pursue any damages remedy Transferors may have against any tenant with respect to such delinquent rents, but shall have no right to exercise any other remedy under the Lease (including, without limitation, termination or eviction).

(iv) Additional Rents. Any percentage rent, escalation charges for real estate taxes, parking charges, operating and maintenance expenses, escalation rents or charges, electricity charges, cost of living increases or any other charges of a similar nature other than fixed or base rent under the Leases (collectively, the "Additional Rents") shall be prorated as of the Closing Date between Buyer and Transferors on or before the date which is ninety (90) days following the end of the calendar year in which the closing occurs based on the actual number of days of the year and month which shall have elapsed as of the Closing Date. Prior to the end of the calendar year in which the closing occurs, Transferors shall provide Buyer with information regarding Additional Rents which were received by Transferors prior to closing and the amount of reimbursable expenses paid by Transferors prior to closing. On or before the date which is sixty (60) days following the end of the

calendar year in which the closing occurs, Buyer shall deliver to Transferors a reconciliation of all expenses reimbursable by tenants under the Leases, and the amount of Additional Rents received by Transferors and Buyer relating thereto (the "Reconciliation"). Upon reasonable notice and during normal business hours, each party shall make available to the other all information reasonably required to confirm the Reconciliation. In the event of any overpayment of Additional Rents by the tenants to Transferors, Transferors shall promptly, but in no event later than fifteen (15) days after receipt of the Reconciliation, pay to Buyer the amount of such overpayment and Buyer, as the landlord under the particular Leases, shall pay or credit to each applicable tenant the amount of such overpayment. In the event of an underpayment of Additional Rents by the tenants to Transferors, Buyer shall pay to Transferors the amount of such underpayment within fifteen (15) days following Buyer's receipt of any such amounts from the tenants.

(d) Adjustments to Prorations. Subject to Section 6.3(a) and 6.3(c)(iv) above, after the closing, the parties shall from time to time, as soon as is practicable after accurate information becomes available and in any event within 180 days following the Closing Date, recalculate and reapportion any of the items subject to proration or apportionment (i) which were not prorated and apportioned at the closing because of the unavailability of the information necessary to compute such proration, or (ii) which were prorated or apportioned at the closing based upon estimated or incomplete information, or (iii) for which any errors or omissions in computing prorations at the closing are discovered subsequent thereto, and thereafter the proper party shall be reimbursed based on the results of such recalculation and reapportionment. Unless otherwise specified herein, all such reimbursements shall be made on or before thirty (30) days after receipt of notice of the amount due. Any such reimbursements not timely paid shall bear interest at a per annum rate equal to ten percent (10%) from the due date until all such unpaid sums together with all interest accrued thereon is paid if payment is not made within ten (10) days after receipt of a bill therefor.

(e) Prior Year's Reconciliation. If the closing occurs before Transferors have performed the annual reconciliation of Additional Rent for the calendar year immediately preceding the calendar year in which the closing occurs, then Transferors shall, as soon as practicable after closing, perform such reconciliation at its sole cost and expense. Upon completion of such annual reconciliation, Transferors shall immediately deliver to Buyer a detailed description of any Additional Rent which are payable by or reimbursable to any present tenant (the "Prior Year Reconciliation"). The Prior Year Reconciliation shall be accompanied by all applicable back-up documentation, together with Transferors' check for such Additional Rent which is reimbursable to a tenant. Based upon Transferors' calculations, Buyer shall send

customary statements for reimbursement of Additional Rent to tenants under the Leases based on the Prior Year Reconciliation, and shall remit to Transferors within thirty (30) days of receipt, all sums so collected. If Transferors' calculations show that Additional Rent has been overpaid by any present tenant and Transferors have submitted its check to Buyer for such amounts, Buyer shall refund such Additional Rent to such tenant.

(f) Survival. The provisions of this Section 6.3 shall survive the closing.

SECTION 6.4 Other Closing Costs.

(a) The premium payable in connection with the issuance of the Title Policies, governmental documentary transfer or transaction taxes or fees due on the transfer of the Properties, recording costs, and, except as otherwise provided below, other closing costs shall be paid by Transferors and Buyer according to custom in the county in which the applicable Property is located as set forth on Exhibit D attached hereto.

(b) Transferors shall pay 50% of any escrow or other costs charged by or reimbursable to the Title Company; provided, however that additional costs to create multiple escrows to accommodate 1031 Exchanges shall be borne by the party requesting such multiple escrows.

(c) Buyer shall pay 50% of any escrow or other costs charged by or reimbursable to the Title Company; provided, however that additional costs to create multiple escrows to accommodate 1031 Exchanges shall be borne by the party requesting such multiple escrows.

SECTION 6.5 Further Documentation. At or following the close of escrow, Buyer and Transferors shall execute any certificate, memoranda, assignment or other instruments required by this Agreement, law or local custom or otherwise reasonably requested by the other party to effect the transactions contemplated by this Agreement and shall take such other actions (but at no material cost or expense) as are reasonably requested by the other party to effect the transactions contemplated by this Agreement.

SECTION 6.6 Cooperation in Exchange. The parties acknowledge and agree that Exchangors have elected (with respect to the Exchange Properties) and Buyer may elect (with respect to the Properties) to assign their interest in this Agreement to an exchange facilitator by means of one or more escrows for the purpose of completing an exchange of such Properties or interests in such Properties in a transaction which will qualify for treatment as a tax deferred exchange pursuant to the provisions of Section 1031 of the Internal Revenue Code of 1986 and applicable state revenue and taxation code sections (a "1031 Exchange"). Each party agrees to reasonably cooperate with any party so electing in implementing any such assignment and 1031 Exchange, provided that such cooperation shall not entail any material additional expense to the non-electing party, cause such party to take title to any other property or cause such party exposure to any liability or loss of rights or benefits contemplated by this Agreement, and the electing party shall indemnify, defend and hold the non-electing party harmless from any liability, damage, loss, cost or other expense including, without limitation, reasonable attorneys' fees and costs, resulting or arising from the implementation of any such assignment and 1031

Exchange. No such assignment by any party shall relieve such party from any of its obligations hereunder, nor shall such party's ability to consummate a tax deferred exchange be a condition to the performance of such party's obligations under this Agreement.

SECTION 6.7 Environmental Matters.

(a) Buyer and Transferors acknowledge and agree that Transferors shall transfer and assign to Buyer at the closing (to the extent assignable), as part of the Intangible Property, Transferors' rights and interests in and to any indemnifications or covenants from third parties (other than any rights of Transferors under any of Transferors' environmental insurance policies, which rights are expressly not assigned to Buyer under this Agreement except as expressly otherwise set forth below) relating to the environmental condition of the Properties (reserving solely Transferors' rights to the benefit of such indemnifications and covenants protecting Transferors with respect to Transferors' ownership of the Properties), including, without limitation, those indemnity agreements shown on Exhibit O. Following the closing, Buyer and Transferors shall cooperate in the pursuit of any and all claims arising under such instruments, which cooperation shall include, as required, Transferors' expression and pursuit of claims for the benefit of Buyer -- provided that such pursuit is at Buyer's sole cost and expense and does not expose Transferors to additional liability. Notwithstanding the foregoing, with respect to the Property described on Exhibit U-1 attached hereto, to the extent assignable and subject to obtaining the consent of the applicable insurer, at closing Transferors shall assign all of their right, title and interest in the environmental insurance policy described on Exhibit U-2 and Transferors shall be named as an additional insured under such policy; provided, that the assignment of such policy shall not constitute a condition of closing under this Agreement.

(b) With respect to the Property described on Exhibit U-3, Transferors shall use reasonable efforts to obtain on or before closing (but without any liability whatsoever if they are unable to do so except as set forth below), a no further action letter (which letter shall be permitted to contain customary qualifications and exclusions, such as a right of the lead regulatory agency to reopen its investigation based on additional information, and may be a risk based no further action letter) from the lead regulatory agency in connection with the known contamination located on such Properties as more particularly described on Exhibit U-3 (an "NFA letter"). If Transferors are not able to deliver to Buyer an NFA Letter with respect to any such Property on or before the closing, then Transferors shall execute and deliver to Buyer at closing with respect to any such Property as to which no NFA Letter has been obtained, a remediation and access agreement in the form attached as Exhibit U-4 (the "Remediation and Access Agreement").

SECTION 6.8 [Intentionally Omitted]

SECTION 6.9 Completion Events.

(a) If the matters described on Exhibit R-1 are not completed prior to the Closing Date, Transferors can elect, in its sole discretion, as follows: (i) to provide Buyer with a credit to the Allocated Price for such Property (if a credit amount is specified on Exhibit R-1 then in the amount of the credit); (ii) if Transferors have entered into a fixed price contract for each of such matters, to provide Buyer with a credit to the Allocated Price for such Property

equal to the difference between such fixed price and the substantiated amounts paid by Transferors to the contractor under such contract; or (iii) if (i) and (ii) do not apply, notify Buyer of Transferors' intent to submit to arbitration pursuant to Section 7.5 below the determination of an appropriate credit based

on the portion of such matters to be completed after the closing, in which event the closing shall not be delayed but Transferors shall credit to Buyer at closing the amount that Transferors believe in good faith is appropriate; provided, that the parties shall endeavor for thirty (30) days after closing to reach a mutually acceptable credit prior to submitting such matter to arbitration and that if it is determined pursuant to such arbitration that Buyer should have received a larger credit at closing, then Transferors shall pay to Buyer the amount of such difference, together with interest at nine percent (9%) per annum, from the Closing Date for such Property to the date of payment of such difference. Except as otherwise expressly provided in this Section 6.9, in no event shall a closing be delayed as a result of the application of this Section 6.9.

(b) With respect to the Property described on Exhibit R-2 attached hereto, (i) Transferors shall use commercially reasonable efforts to cause the former Winn Dixie improvements to be demolished in order to permit the construction of new improvements, which improvements are currently planned to be leased to Payless and Eckerds, pursuant to leases currently under negotiation. Transferors shall be responsible for the cost of any capital improvements to the shopping center (including such new improvements) which are required under any such leases and for the cost of and any tenant improvements and leasing commissions (with respect to the initial term of such leases) payable by the landlord in connection with such leases (and Transferors shall receive no credit from Buyer for any such costs paid by Transferors); provided, that (A) if any such leases are executed prior to the closing and any such capital improvements or tenant improvements are not completed as of the closing, then Buyer shall receive a credit at the closing against the Allocated Price for such Property equal to the remaining cost to complete such work and the amount of any such leasing commissions which remain unpaid, and (B) with respect to any such space as to which no lease permitted under this Agreement or consented to by Buyer (where such consent is required) has been executed by Transferors, then at the closing Buyer shall receive a credit against the Allocated Price for such Property equal to (x) the net present value of the projected income loss for such space (if any) based on the difference between Buyer's financial models as to rent and term for such space assuming such space was leased to Payless and/or Eckerds, as applicable, and market assumptions (including, without limitation, any lease-up deficit), discounted at 11.5% per annum, and (y) the cost of any capital improvements required to realize the income that would have been produced by leases to Eckerds and/or Payless, as applicable to the extent not completed as of Closing. If the parties cannot agree in good faith on the amount of the credit, then the matter shall be submitted to arbitration pursuant to Section 7.5 below, in which event the closing shall not be delayed but Transferors shall credit to Buyer at closing the amount that Transferors believe in good faith is appropriate; provided, that if it is determined pursuant to such arbitration that Buyer should have received a larger credit at closing, then Transferors shall pay to Buyer the amount of such difference, together with interest at nine percent (9%) per annum, from the Closing Date for such Property to the date of payment of such difference; (ii) Transferors shall install a new roof on the former Eckerds space; provided that if Transferors have not completed such installation on or before the closing then Buyer shall receive a credit for the cost to complete such installation as determined in the manner described in Section 6.9(a); (iii) Transferors are negotiating with McDonalds in connection with the lease of a pad at the

shopping center and Transferors shall be responsible for the cost of any of landlord's obligations in connection with the consummation of and required under the terms of such lease, including leasing commissions and pad preparation costs; provided that (A) if such lease is executed prior to the closing, to the extent any such obligations have not been paid by Transferors prior to the closing, Buyer shall receive a credit for the cost of such unpaid obligations as determined in the manner described in Section 6.9(a) and (B) if such lease is not executed prior to the closing, Buyer shall receive a credit against the Allocated Price for such Property in the amount of $110,000; and (iv) Transferors shall use commercially reasonable efforts to complete with respect to the area from and including the former Eckerd's space to the end of the shopping center certain cosmetic renovations consistent with the portion of such center that has already been cosmetically renovated, the cost of which has been budgeted at less than $150,000; provided that if Transferors have not completed such renovations on or before the closing, then Buyer shall receive a credit for the cost to complete such renovations.

(c) With respect to the Property described on Exhibit R-3 attached hereto, (i) Transferors and Buyer agree that the amount of $305,000 (the "Totem Amount") shall be used by Transferors for certain renovations and deferred maintenance at the Property (the "Totem Work") as directed by Buyer and pursuant to any budget Buyer provides to Transferors with Transferors' reasonable approval and Transferors shall use good faith efforts to utilize such funds to implement the Totem Work in a good and workmanlike manner; provided, that at the closing, Buyer shall receive a credit against the Allocated Price for such Property equal to the Totem Amount less the amount actually expended by Transferors in performing or causing to be performed the Totem Work; and (ii) with respect to the space formerly occupied by Ernst and the adjacent 5000

square foot space planned for development adjacent to such space, Transferors are presently negotiating leases with potential tenants for such space, and Transferors shall be responsible for the cost of any capital improvements to the shopping center which are required under any such leases and for the cost of any tenant improvements and leasing commissions (with respect to the initial term of such leases) payable by the landlord in connection with such leases (and Transferors shall receive no credit from Buyer for any such costs paid by Transferors); provided, that (A) if any such leases are executed prior to the closing and any such capital improvements or tenant improvements are not completed as of the closing, then Buyer shall receive a credit at the closing against the Allocated Price for such Property equal to the remaining cost to complete such work and the amount of any such leasing commissions which remain unpaid, and (B) with respect to any such space as to which no lease permitted under this Agreement or consented to by Buyer (where such consent is required) has been executed by Transferors, then at the closing Buyer shall receive a credit against the Allocated Price for such Property equal to (x) the net present value of the projected income loss for such space (if any) based on the difference between Buyer's financial models as to rent and term for such space assuming such space was leased to Ross, Car Toys and/or Confetti's, as applicable, and market assumptions (including, without limitation, any lease-up deficit), discounted at 11.5% per annum, and (y) the cost of any capital improvements required to realize the income that would have been produced by leases to Ross, Car Toys and/or Confetti's, as applicable to the extent not completed as of Closing. If the parties cannot agree in good faith on the amount of the credit, then the matter shall be submitted to arbitration pursuant to Section 7.5 below, in which event the closing shall not be delayed but Transferors shall credit to Buyer at closing the amount that Transferors determine, in its reasonable discretion, to be appropriate; provided, that if it is determined pursuant to such arbitration that Buyer should have received a larger credit at

closing, then Transferors shall pay to Buyer the amount of such difference, together with interest at nine percent (9%) per annum, from the Closing Date for such Property to the date of payment of such difference.

(d) If the matters described on Exhibit R-4 are not completed prior to the Closing Date with respect to such Property, Transferors can elect, in its sole discretion, as follows: (i) to provide Buyer with a credit to the Allocated Price for such Property (if a credit amount is specified on Exhibit R-4 then in the amount of the credit); (ii) if Transferors have entered into a fixed price contract for the applicable matter, to provide Buyer with a credit to the Allocated Price for such Property equal to the difference between such fixed price and the substantiated amounts paid by Transferors to the contractor under such contract; or (iii) if (i) and (ii) do not apply, notify Buyer of Transferors' intent to submit to arbitration pursuant to Section 7.5 below the determination of an appropriate credit based on the portion of such matter to be completed after the closing, in which event the closing shall not be delayed but Transferors shall credit to Buyer at closing the amount that Transferors believe in good faith is appropriate; provided, that the parties shall endeavor for thirty (30) days after closing to reach a mutually acceptable credit prior to submitting such matter to arbitration and that if it is determined pursuant to such arbitration that Buyer should have received a larger credit at closing, then Transferors shall pay to Buyer the amount of such difference, together with interest at nine percent (9%) per annum, from the Closing Date for such Property to the date of payment of such differences. Except as otherwise expressly provided in this Section 6.9, in no event shall a closing be delayed as a result of the application of this Section 6.9.

(e) General Provisions. All work performed by Transferors under this Section 6.9 shall be performed in a good and workmanlike manner substantially in accordance with all applicable laws. Nothing in this Section 6.9 is intended to limit or expand Buyer's approval rights contained in Section 4.2(c) or (d).

SECTION 6.10 Transferors' Covenant of Cooperation. Transferors hereby agree to reasonably cooperate with Buyer or Buyer's auditors, at no expense, liability or substantial accounting time to Transferors, prior to and after the closing (but subject to the provisions of Section 2.4) (i) by providing financial data pertaining to the Properties to the extent required by the Securities and Exchange Commission ("SEC") or reasonably required to prepare filings that Buyer intends to file with the SEC, including (to the extent so required) the documentation requested on Exhibit T-1 (but without duplication of any of the documents listed in the Disclosure Material List & Statement or contained in the Disclosure Materials so long as continued access is provided to such documents as were not delivered to Buyer) as it relates to the one (1) year period immediately preceding the closing, and (ii) in delivering to Buyer's auditors a certificate in the form of Exhibit T-2. Transferors shall provide such documentation and deliver such certificate in each instance within ten (10) business days after receipt of Buyer's reasonable request to do so. Without limiting Transferors' representations and warranties contained in this Agreement or Transferors' covenants contained in Section 4.2 or in any document executed and delivered to Buyer by Transferors at closing, Buyer shall indemnify and hold

Transferors harmless from and against any and all claims, liabilities, losses, damages, causes of action, costs and expenses (including, without limitation, reasonable attorneys' fees and costs) to the extent relating to or arising out of Transferors' performance of its obligations under this Section 6.10, including, without limitation, any claims arising out of the reliance by

third parties, including Buyer's auditors, on information provided by Transferors under this Section 6.10. The provisions of this Section 6.10 shall survive the closing

SECTION 6.11 UCC Financing Statements. If Buyer provides evidence during the Confirmation Period of any UCC Financing Statements naming a Transferor or any of its affiliates as debtor and encumbering a Property (whether in connection with mortgages, deeds of trust or personal property financings which are not assumed by Buyer), then Transferors shall use reasonable efforts to cause the release of such UCC Financing Statements as soon as practicable after the closing.

ARTICLE 7
MISCELLANEOUS

SECTION 7.1 Damage or Destruction.

(a) Buyer shall be bound to purchase each of the Properties as required by the terms of this Agreement without regard to the occurrence or effect of any damage to or destruction of any of the Properties or condemnation of any Property by right of eminent domain, provided that the occurrence of any damage or destruction involves repair costs of less than the greater of $1,000,000 or ten percent (10%) of the Property's Allocated Price, and any condemnation does not materially affect the use or value of the affected Property. If Buyer is so bound to purchase a Property notwithstanding the occurrence of damage, destruction or condemnation, or if Buyer fails to elect to treat the applicable Property as a Deleted Property pursuant to Section 7.1(b) below then upon the closing: (i) in the event of damage covered by insurance or an immaterial condemnation, Buyer shall receive a credit against the Allocated Price for such Property in the amount (net of collection costs and costs of repair reasonably incurred by Transferors and not then reimbursed) of any insurance proceeds or condemnation award collected and retained by Transferors as a result of any such damage or destruction or condemnation plus (in the case of damage) the amount of the deductible portion of Transferors' insurance policy, and Transferors shall assign to Buyer all rights to such net insurance proceeds or condemnation awards as shall not have been collected prior to the close of escrow; and (ii) in the event of damage not covered by insurance, Buyer shall receive a credit (not to exceed the greater of $1,000,000 or ten percent (10%) of the Property's Allocated Price for each affected Property) in the amount of the estimated cost to repair the damage.

(b) If, prior to the Closing Date, any Property suffers damage or destruction that involves repair costs in excess of the greater of $1,000,000 or ten percent (10%) of the Property's Allocated Price or condemnation which affects the use or value of the Property in other than a minor and immaterial manner, then Buyer may elect to treat such Property as a Deleted Property by giving written notice of such election to Transferors promptly following Buyer's knowledge of the event and extent of damage, destruction or condemnation. In the event of the deletion of any Property pursuant to this Section 7.1(b), the parties shall be bound to consummate the purchase and sale of the balance of the Properties in accordance with this Agreement and the Price shall be reduced by an amount equal to the Allocated Price of the Deleted Property.

SECTION 7.2 Fees & Commissions.

(a) Each party to this Agreement warrants to the other that, except as otherwise provided in subparagraph (b) below, no person or entity can properly claim a right to a real estate or investment banker's commission, finder's fee, acquisition fee or other brokerage-type compensation (collectively, "Real Estate Compensation") based upon the acts of that party with respect to the transaction contemplated by this Agreement. Each party hereby agrees to indemnify and defend the other against and to hold the other harmless from any and all loss, cost, liability or expense (including but not limited to attorneys' fees and returned commissions) resulting from any claim for Real Estate Compensation by any person or entity based upon such acts.

(b) The parties hereby acknowledge that Morgan Stanley Dean Witter has acted as Transferors' investment bankers in connection with this transaction. Transferors shall be responsible for paying any commission or fees due to such parties in connection with this transaction.

SECTION 7.3 Successors and Assigns. Buyer may not assign any of Buyer's rights or duties hereunder without the prior written consent of Transferors, which may be withheld in Transferors' sole discretion; provided, however, that Buyer shall have the right to assign all or a portion of its rights hereunder to an entity which is at least 75% owned, directly or indirectly, by Buyer, without the prior consent of Transferors, except that any such assignment to such an affiliate of Buyer shall not relieve Buyer of any of its obligations under this Agreement.

SECTION 7.4 Notices. Any notice, consent or approval (or request for consent or approval) required or permitted to be given under this Agreement shall be in writing and shall be given or requested by (i) hand delivery, (ii) Federal Express or another reliable overnight courier service, (iii) facsimile telecopy, or (iv) United States mail, registered or certified mail, postage prepaid, return receipt required, and addressed as follows:

To Transferors:

c/o AMB Property, L.P.
505 Montgomery Street, Fifth Floor
San Francisco, CA 94111
Attn: W. Blake Baird
Fax No.: (415) 394-9001

and

AMB Property, L.P.
505 Montgomery Street, Fifth Floor
San Francisco, CA 94111
Attn: General Counsel
Fax No.: (415) 394-9001

with a copy to:
Morrison & Foerster LLP
755 Page Mill Road

Palo Alto, California 94304-1018
Attn: Philip J. Levine
Fax No.: (650) 494-0792

To Buyer:

Burnham Pacific Properties, Inc.
100 Bush Street, Suite 2400
San Francisco, CA 94104
Attn: General Counsel
Fax No.: (650) 352-1711

with a copy to:

David Krotine, Esq.
McDonough, Holland & Allen
5555 Capitol Mall, 9th Flr.
Sacramento, CA 94814
Fax No.: (916) 444-5918

with a copy to:

Goodwin, Procter & Hoar LLP
Exchange Place
Boston, MA 02109-2881
Attn: Christopher B. Barker, P.C.
Fax No.: 617-227-8591

Any such notice, consent or approval (or request for consent or approval) shall be deemed given or requested (i) if given by hand delivery, upon such hand delivery, (ii) one (1) business day after being deposited with Federal Express or another reliable overnight courier service, (iii) if sent by facsimile, the day the facsimile is successfully transmitted, or (iv) if sent by registered or certified mail, three (3) business days after being deposited in the United States mail. Any address or name specified above may be changed by notice given to the addressee by the other party in accordance with this Section 7.4. The inability to deliver because of a changed address of which no notice was given, or rejection or other refusal to accept any notice, shall be deemed to be the receipt of the notice as of the date of such inability to deliver or rejection or refusal to accept. Any notice to be given by any party hereto may be given by the counsel for such party.

SECTION 7.5 ARBITRATION OF DISPUTES. CONTROVERSIES OR CLAIMS TO BE SUBMITTED TO ARBITRATION PURSUANT TO SECTIONS 2.5, 2.6 OR 6.9 ABOVE SHALL BE RESOLVED BY ARBITRATION CONDUCTED IN ACCORDANCE WITH THE CALIFORNIA CODE OF CIVIL PROCEDURE SECTION 1280 ET SEQ. AND UNDER THE REAL ESTATE INDUSTRY RULES OF

THE AMERICAN ARBITRATION ASSOCIATION ("AAA RULES"), EXCEPT THAT WITH RESPECT TO ANY INSTANCE IN WHICH THE ARBITRATION RELATES SOLELY TO A DISPUTE OVER THE AMOUNT OF A PRICE ADJUSTMENT, ANY SUCH ARBITRATION SHALL BE SO CALLED "BASEBALL-

STYLE" SUCH THAT EACH PARTY SHALL STATE A SINGLE AMOUNT AS ITS POSITION ON THE ISSUE BEING ARBITRATED AND A SINGLE ARBITRATOR SHALL BE REQUIRED TO SELECT ONE OF THE AMOUNTS STATED BY THE PARTIES, AND SHALL HAVE NO RIGHT TO DECIDE A DIFFERENT AMOUNT OR OTHERWISE TAKE A DIFFERENT POSITION. THE ARBITRATOR(S) SHALL GIVE EFFECT TO SUBSTANTIVE AND PROCEDURAL LAW OF THE STATE OF CALIFORNIA INCLUDING, WITHOUT LIMITATION, THE STATUTES OF LIMITATION IN DETERMINING ANY CLAIM (BUT EXCLUDING PRINCIPLES RELATING TO CONFLICTS OF LAWS). ANY CONTROVERSY CONCERNING WHETHER AN ISSUE IS ARBITRABLE SHALL BE DETERMINED BY THE ARBITRATOR(S). ALL DECISIONS BY THE ARBITRATOR(S) SHALL BE IN WRITING AND COPIES OF THE DECISIONS SHALL BE DELIVERED TO EACH PARTY.

ARBITRATION SHALL TAKE PLACE IN SAN FRANCISCO, CALIFORNIA AT A LOCATION MUTUALLY ACCEPTABLE TO THE PARTIES OR AS DESIGNATED BY THE ARBITRATOR(S) IF THE PARTIES CANNOT AGREE ON A LOCATION. THE DECISION BY THE ARBITRATOR(S) SHALL BE ISSUED NO LATER THAN SIXTY (60) DAYS AFTER THE DATE ON WHICH THE INITIATING PARTY GIVES WRITTEN NOTICE TO THE OTHER PARTY OF ITS INTENTION TO ARBITRATE, WHICH NOTICE SHALL COMPLY WITH THE REQUIREMENTS OF THE AAA RULES AND THREE COPIES OF SUCH NOTICE SHALL BE FILED AT THE REGIONAL OFFICE OF AAA IN SAN FRANCISCO, CALIFORNIA AS PROVIDED IN THE AAA RULES.

JUDGMENT UPON THE ARBITRATION AWARD MAY BE ENTERED IN ANY COURT HAVING JURISDICTION. THE INSTITUTION AND MAINTENANCE OF AN ACTION FOR JUDICIAL RELIEF OR PURSUIT OF A PROVISIONAL OR ANCILLARY REMEDY SHALL NOT CONSTITUTE A WAIVER OF THE RIGHT OF ANY PARTY, INCLUDING THE PLAINTIFF, TO SUBMIT THE CONTROVERSY OR CLAIM TO ARBITRATION IF ANY OTHER PARTY CONTESTS SUCH ACTION FOR JUDICIAL RELIEF.

NOTICE: BY INITIALING IN THE SPACE BELOW YOU ARE AGREEING TO HAVE ANY DISPUTE ARISING OUT OF THE MATTERS INCLUDED IN THE `ARBITRATION OF DISPUTES' PROVISION DECIDED BY NEUTRAL ARBITRATION AS PROVIDED BY CALIFORNIA LAW AND YOU ARE GIVING UP ANY RIGHTS YOU MIGHT POSSESS TO HAVE THE DISPUTE LITIGATED IN A COURT OR JURY TRIAL. BY INITIALING IN THE SPACE BELOW, YOU ARE GIVING UP YOUR JUDICIAL RIGHTS TO DISCOVERY AND APPEAL, UNLESS THOSE RIGHTS ARE SPECIFICALLY INCLUDED IN THE `ARBITRATION OF DISPUTES' PROVISION. IF YOU REFUSE TO SUBMIT TO ARBITRATION AFTER AGREEING TO THIS PROVISION, YOU MAY BE COMPELLED TO ARBITRATE UNDER THE AUTHORITY OF THE CALIFORNIA CODE OF CIVIL PROCEDURE. YOUR AGREEMENT TO THIS ARBITRATION PROVISION IS VOLUNTARY.

WE HAVE READ AND UNDERSTAND THE FOREGOING AND AGREE TO SUBMIT DISPUTES ARISING OUT OF THE MATTERS INCLUDED IN THE `ARBITRATION OF DISPUTES' PROVISION TO NEUTRAL ARBITRATION.

_____ _____

BUYER'S INITIALS TRANSFEROR'S INITIALS

SECTION 7.6 Entire Agreement. Excepting solely the Confidentiality Agreements, this Agreement and the attached exhibits, which are by this reference incorporated herein, and all documents in the nature of such exhibits, when executed, contain the entire understanding of the parties and supersede any and all other written or oral understanding.

SECTION 7.7 Time. Time is of the essence of every provision contained in this Agreement.

SECTION 7.8 Incorporation by Reference. All of the exhibits attached to this Agreement or referred to herein and all documents in the nature of such exhibits, when executed, are by this reference incorporated in and made a part of this Agreement.

SECTION 7.9 Attorneys' Fees. In the event any dispute between Buyer and any of Transferors should result in litigation or arbitration, including, without limitation, arbitration pursuant to Section 7.5 above, the prevailing party shall be reimbursed for all reasonable costs incurred in connection with such litigation or arbitration, including, without limitation, reasonable attorneys' fees and costs.

SECTION 7.10 Construction. The parties acknowledge that each party and its counsel have reviewed and revised this Agreement and that the normal rule of construction to the effect that any ambiguities are to be resolved against the drafting party shall not be employed in the interpretation of this Agreement or any amendments or exhibits hereto.

SECTION 7.11 Governing Law. This Agreement shall be construed and interpreted in accordance with and shall be governed and enforced in all respects according to the laws of the State of California (without giving effect to conflicts of laws principles).

SECTION 7.12 Operating Records. Each party agrees to make available to the other party from time to time, but not more frequently than quarterly, upon reasonable notice, for a period of two years following the Closing Date, such party's operating records for the Properties, to the extent such party has operating records, in order to permit the requesting party to prepare such historical financial statements for the Properties as such party requires to satisfy legal or contractual obligations. The party making its operating records available shall have no obligation to prepare any operating statements or incur any expense in connection with the provisions of this section.

SECTION 7.13 Confidentiality. Buyer and Transferors each acknowledge and agree that this Agreement and the terms and conditions set forth are to be kept confidential unless and until the closing occurs on the Closing Date in accordance with and subject to the terms of this Section 7.13 and the Confidentiality Agreements. Without limiting the obligations of Buyer's constituent partners under the Confidentiality Agreements, each party shall be entitled to discuss and disclose the transaction with employees, agents, consultants, lenders, clients and

representatives of such party -- each of whom shall be directed by the disclosing party to maintain such information in confidence. Notwithstanding anything to the contrary contained in this Section 7.13, following the full execution of this Agreement and Buyer's delivery of the Deposit to Title Company, the parties shall issue a joint press release with respect to this transaction, which press release shall be in the form attached hereto as Exhibit J. The Transferors agree that nothing in this Section shall prevent Buyer from disclosing any information otherwise deemed confidential under this Section (i) in connection with Buyer's enforcement of its rights hereunder or (ii) pursuant to any legal requirement applicable to Buyer, including, without limitation, any securities laws, any reporting requirement or any accounting or auditing standard.

SECTION 7.14 Counterparts. This Agreement may be executed in one or more counterparts. All counterparts so executed shall constitute one contract, binding on all parties, even though all parties are not signatory to the same counterpart.

SECTION 7.15 Transferors' Representative. Buyer shall be entitled to rely upon any notice, approval or decision expressed by any of the Knowledge Persons acting alone on behalf of all of the Transferors.

SECTION 7.16 No Liability. Notwithstanding anything to the contrary contained herein, in no event shall Calpers, which is a constituent member of Buyer, or any of its trustees, directors or employees, have any personal liability under this Agreement.

SECTION 7.17 Escrow Provisions.

(a) By its signature below, Title Company acknowledges receipt of the Deposit (whether in the form of cash or a Letter of Credit). Title Company agrees to hold the Deposit (whether in the form of cash or a Letter of Credit) in escrow pursuant to the provisions of this Agreement for application in accordance with the provisions of this Agreement, including the following terms:

(1) Title Company shall have no duties or responsibilities other than those expressly set forth in this Agreement. Title Company shall have no duty to enforce any obligation of any person to make any payment or delivery or to enforce any obligation of any person to perform any other act. Title Company shall be under no liability to the other parties hereto or to anyone else by reason of any failure on the part of any party hereto or any maker, guarantor, endorser or other signatory of any document or any other person to perform such person's obligations under any such document. Except for this Agreement, amendments to this Agreement executed by Transferors and Buyer and except for joint written instructions given to Title Company by Transferors and Buyer relating to the Deposit, Title Company shall not be obligated to recognize any agreement between any or all of the persons referred to herein, notwithstanding that references thereto may be made herein and whether or not it has knowledge thereof.

(2) In its capacity as Title Company, Title Company shall not be responsible for the genuineness or validity of any security, instrument, document or item deposited with it and shall have no responsibility other than to faithfully follow the instructions

contained in this Agreement, and subject to the terms hereof, it is fully protected in acting in accordance with any written instrument given to it hereunder by any of the parties hereto and believed by Title Company to have been signed by the proper person. Title Company may assume that any person purporting to give any notice hereunder has been duly authorized to do so. Title Company is acting as a stakeholder only with respect to the Deposit. If there is any dispute or uncertainty concerning any action to be taken hereunder, Title Company shall have the right to take no action (other than to make demand for the principal amount of any portion of the Deposit in the form of a Letter of Credit as may be required under this Agreement which demand shall be made as so required by this Agreement notwithstanding any contrary instructions by Buyer unless approved in writing by Transferors) until it shall have received instructions in writing approved by Transferors and Buyer or until directed by a final order of judgment of a court of competent jurisdiction, whereupon Title Company shall take such action in accordance with such instructions or such order.

(3) It is understood and agreed that the duties of Title Company are purely ministerial in nature. Title Company shall not be liable to the other parties hereto or to anyone else for any action taken or omitted by it, or any action suffered by it to be taken or omitted, in good faith and in the exercise of reasonable judgment, except for acts of willful misconduct or gross negligence. Title Company may rely conclusively and shall be protected in acting upon any order, notice, demand, certificate, opinion or advice of counsel (including counsel chosen by Title Company), statement, instrument, report or other paper or document (not only as to its due execution and the validity and effectiveness of its provisions, but also as to the truth and accuracy of any information therein contained) which is reasonably believed by Title Company to be genuine and signed or presented by the proper person or persons. Title Company shall not be bound by any notice or demand, or any waiver, modification, termination or rescission of this Agreement or any of the terms hereof, unless evidenced by a final judgment or decree of a court of competent jurisdiction in the State of California or a Federal court in such State, or a writing delivered to Title Company signed by the proper party or parties and, if the duties or rights of Title Company are affected, unless it shall give its prior written consent thereto.

(4) Title Company shall have the right to assume in the absence of written notice to the contrary from the proper person or persons that a fact or an event by reason of which an action would or might be taken by Title Company does not exist or has not occurred, without incurring liability to the other parties hereto or to anyone else for any action taken or omitted, or any action suffered by it to be taken or omitted, in good faith and in the exercise of reasonable judgment, in reliance upon such assumption.

(5) Except in connection with Title Company's willful misconduct or gross negligence, Title Company shall be indemnified and held harmless jointly and severally by the other parties hereto from and against any and all liabilities, expenses and losses suffered by Title Company (as escrow agent), including reasonable attorneys' fees and expenses, in connection with any action, suit or other proceeding involving any claim, which arises out of or relates to this Agreement, the services of Title Company hereunder or the monies or instruments held by it hereunder. Promptly after the receipt by Title Company of notice of any demand or claim or the commencement of any action, suit or proceeding, Title Company shall, if a demand or a claim is made or an action is commenced against any of the other parties hereto, notify such

other parties hereto in writing; but the failure by Title Company to give such notice shall not relieve any party from any liability which such party may have to Title Company hereunder.

SECTION 7.18 State Specific Provisions.

(a) In regards to Real Property located in California:(a)

(i) Buyer is hereby apprised of and shall determine whether any Real Property is located within the coastal zone under the California Coastal Act.

(ii) Buyer is hereby apprised of and shall determine whether any Real Property is located within a special studies zone under the Alquist-Priolo Geologic Hazard Act.

(iii) To the extent required by law, Transferors and Buyer agree to provide a Real Estate Transfer Disclosure Statement.

(iv) Transferors shall provide Buyer with a form California 590-RE.

(b) In regards to Real Property located in Florida:

(i) Buyer is notified as follows: RADON GAS: Radon is a naturally occurring radioactive gas that, when it has accumulated in a building in sufficient quantities, may present health risks to persons who are exposed to it over time. Levels of radon that exceed federal and state guidelines have been found in buildings in Florida. Additional information regarding radon and radon testing may be obtained from your county public health unit.

(ii) THE REAL PROPERTY MAY BE LOCATED IN A DISTRICT THAT IMPOSES TAXES OR ASSESSMENTS, OR BOTH TAXES AND ASSESSMENTS, ON THE REAL PROPERTY THROUGH A SPECIAL TAXING DISTRICT. THESE TAXES AND ASSESSMENTS PAY THE CONSTRUCTION, OPERATION AND MAINTENANCE COSTS OF CERTAIN PUBLIC FACILITIES OF THE DISTRICT AND ARE SET ANNUALLY BY THE GOVERNING BOARD OF THE DISTRICT. THESE TAXES AND ASSESSMENTS ARE IN ADDITION TO COUNTY AND ALL OTHER TAXES AND ASSESSMENTS PROVIDED FOR BY LAW.

(iii) Buyer is hereby apprised of and shall determine whether any Real Property is located within the coastal construction control line and Buyer shall waive in writing at closing the requirement of Transferors to provide an affidavit or survey delineating the location of the coastal construction control line.

(iv) Buyer is hereby apprised that Buyer has the right to have the energy-efficiency rating determined. If Buyer desires to have the Real Property rated, Buyer must arrange to have the energy-efficiency rating determination performed at Buyer's expense. The energy rating so determined shall not, however, entitle Buyer to cancel this Agreement since such rating is not a contingency of this Agreement.

(c) In regards to Real Property located in Texas

(i) Buyer is hereby apprised of and shall determine whether any of the Real Property is located seaward of the Gulf Intercoastal Waterway to its southernmost point and then seaward of the longitudinal line also known as 97,12', 19" which runs southerly to the international boundary from the intersection of the center line of the Gulf Intercoastal Waterway and the Brownsville Ship Channel, and if any of the Real Property is in close proximity to a beach fronting the Gulf of Mexico, Buyer is hereby advised that the public has acquired a right of use or easement to or over the area of any public beach by prescription, dedication, or presumption, or has retained a right by virtue of continuous right in the public since time immemorial, as recognized in law and custom.

The extreme seaward boundary of natural vegetation that spreads continuously inland customarily marks the landward boundary of the public easement. If there is no clearly marked natural vegetation line, the landward boundary of the easement is as provided by Sections 61.016 and 61.017, Natural Resources Code.

State law prohibits any obstruction, barrier, restraint, or interference with the use of the public easement, including the placement of structure seaward of the landward boundary of the easement. STRUCTURES ERECTED SEAWARD OF THE VEGETATION LINE (OR OTHER APPLICABLE EASEMENT BOUNDARY) OR THAT BECOME SEAWARD OF THE VEGETATION LINE AS A RESULT OF NATURAL PROCESSES ARE SUBJECT TO A LAWSUIT BY THE STATE OF TEXAS TO REMOVE THE STRUCTURE.

Buyer is hereby notified that Buyer should seek the advice of an attorney or other qualified person before executing this Agreement or instrument of conveyance as to the relevance of these statutes and facts to the value of any of the Real Property Buyer is hereby purchasing or contracting to purchase.

(ii) Buyer is hereby apprised of and shall determine whether any of the Real Property is located within a Water District. If any of the Real Property is located within a Water District, Buyer is notified as follows [to the extent required, missing information to be completed, if applicable, by Transferors on or before the closing.]:

> "The real property, described below, that you are about to purchase is located in the _____District. The district has taxing authority separate from any other taxing authority and may, subject to voter approval, issue an unlimited amount of bonds and levy an unlimited rate of tax in payment of such bonds. As of this date, the rate of taxes levied by the district on real property located in the district is $_____on each $100 of assessed valuation. If the district has not yet levied taxes, the most recent projected rate of debt service tax, as of this date, is $_____on each $100 of assessed valuation. The total amount of bonds approved by the voters and which have been or may, at this date, be issued is $_____, and the aggregate initial principal amounts of all bonds issued for one or more of the specified facilities of the district and payable in whole or in part from property taxes is $_____.

The district has the authority to adopt and impose a standby fee on property in the district that has water, sanitary sewer, or drainage facilities and services available

but not connected and which does not have a house, building, or other improvement located thereon and does not substantially utilize the utility capacity available to the property. The district may exercise the authority without holding an election on the matter. As of this date, the most recent amount of the standby fee is $_____. An unpaid standby fee is a personal obligation of the person that owned the property at the time of imposition and is secured by a lien on the property. Any person may request a certificate from the district stating the amount, if any, of unpaid standby fees on a tract of property in the district.

The purpose of this district is to provide water, sewer, drainage, or flood control facilities and services within the district through the issuance of bonds payable in whole or in part from property taxes. The cost of these facilities is not included in the purchase price of your property, and these utility facilities are owned or to be owned by the district. The legal description of the property you are acquiring is as follows:

_____

_____

BUYER IS ADVISED THAT THE INFORMATION SHOWN ON THIS FORM IS SUBJECT TO CHANGE BY THE DISTRICT AT ANY TIME. THE DISTRICT ROUTINELY ESTABLISHES TAX RATES DURING THE MONTHS OF SEPTEMBER THROUGH DECEMBER OF EACH YEAR, EFFECTIVE FOR THE YEAR IN WHICH THE TAX RATES ARE APPROVED BY THE DISTRICT. BUYER IS ADVISED TO CONTACT THE DISTRICT TO DETERMINE THE STATUS OF ANY CURRENT OR PROPOSED CHANGES TO THE INFORMATION SHOWN ON THIS FORM.

The undersigned Buyer hereby acknowledges receipt of the foregoing notice at or prior to execution of a binding contract for the purchase of the real property described in such notice or at closing of purchase of the real property.

IN WITNESS WHEREOF, Transferors and Buyer have executed this Agreement as of the day and year first written above.

Buyer:

BPP RETAIL, LLC,
a Delaware limited liability company

By: Burnham Pacific Operating Partnership, L.P.
a Delaware limited partnership
Its Managing Member

By: Burnham Pacific Properties, Inc.
Its general partner

By: _____
Name: _____
Title: _____

By: _____
Name: _____
Title: _____

Transferors:

AMB Property, L.P.
a Delaware limited partnership

By: AMB Property Corporation
Its general partner

By:_____
Its:_____

AMB Property II, L.P.
a Delaware limited partnership

By: AMB Property Holding Corporation
Its general partner

By:_____
Its_____

The undersigned party is joining this Agreement solely for the purpose of acknowledging and agreeing to the provisions of Article V and Section 7.17 hereof and any other provisions of this Agreement expressly applicable to Title Company.

CHICAGO TITLE COMPANY

By: _____
Name: _____
Title: _____

EXHIBIT 10.4

AMB PROPERTY CORPORATION

DIVIDEND REINVESTMENT AND DIRECT PURCHASE PLAN

JULY 9, 1999

1. PURPOSE AND ADMINISTRATION

AMB Property Corporation, a Maryland corporation (the "Company"), has adopted three plans for the direct purchase of shares of the Company's common stock, par value $.01 per share (the "Common Stock"): (i) the Dividend Reinvestment Program (the "DRIP"); (ii) the Discount Stock Purchase Plan (the "DSPP"); and (iii) the Waiver Discount Plan (the "WDP"). The DRIP, DSPP and WDP are collectively referred to as the "Plan." The purpose of the Plan is to provide existing stockholders of the Company with an opportunity to invest automatically the cash dividends paid upon shares of the Company's Common Stock held by them, as well as to permit existing and prospective stockholders to make voluntary cash purchases of such Common Stock. BankBoston N.A as agent, or such successor plan administrator as we may designate (the "Agent"), will administer the Plan. EquiServe L.L.C., a registered transfer agent, will provide certain administrative support to the Agent.

2. PARTICIPATION

Any existing holder of shares of Common Stock with any of such shares registered in his or her name on the records of the Agent and, with respect to the DSPP and WDP, certain other persons as described below, may enroll in the Plan (any such person so enrolled in the Plan is referred to herein as a "Participant"). Beneficial owners of shares of Common Stock registered in the name of another person or entity must make arrangements for that person or entity to handle investment or reinvestment with respect to dividends received upon such shares, or must arrange to have such shares registered in the beneficial owner's name in order to participate.

If a Participant holds shares registered in the name of another person, a Broker/Nominee Form ("B/N Form") provides the sole means whereby a broker, bank or other nominee holding shares on a Participant's behalf may request an Optional Cash Purchase for the Participant. In such case, the broker, bank or other nominee must use a B/N Form for transmitting Optional Cash Purchases on the Participant's behalf. A B/N Form must be delivered to the Agent each time that such broker, bank or other nominee transmits Optional Cash Purchases on the Participant's behalf. A Participant may request a B/N Form from the Agent in writing or by telephone.

To enroll in the Plan, a prospective Participant must complete and sign an enrollment form, substantially in the form attached hereto as Exhibit A-1 or Exhibit A-2

(collectively the "Enrollment Form") and return it to the Agent and, if applicable, a Request for Waiver, substantially in the form attached hereto as Exhibit B (the "Request for Waiver"), and return it to the Company. If the shares of Common Stock are registered in the more than one name (such as joint tenants, trustees, etc.), all registered holders must sign an Enrollment Form and, if applicable, the Request for Waiver.

A prospective Participant may join the Plan at any time. Participation in the DRIP will begin with the first dividend payment after an Enrollment Form, designating the reinvestment of dividends, is received by the Agent, provided there is sufficient time for processing prior to the next dividend record date. Participation in the DSPP will begin concurrently with the first DSPP Investment Date after an Enrollment Form and the DSPP Payment (as defined below) are received by the Agent, provided the payment is received two full business days prior to the next DSPP Investment Date. Participation in the WDP will begin upon commencement of the first Investment Period (as defined below) after the Request for Waiver, approved by the Company, and the WDP Payment (as defined below) are received by the Agent, provided the payment is received two full business days prior to the next Investment Period.

By selecting the "Partial Reinvestment" option on the Enrollment Form, stockholders may elect to receive cash dividends on a specified number of their shares, and reinvest the dividends on the balance of such shares. A Participant may change the dividend reinvestment option at any time by submitting a newly executed Enrollment Form to the Agent or by writing to the Agent. Enrollment Forms may be obtained by contacting the Agent at the address set forth in Section 22. Any change in the number of shares with respect to which the Agent is authorized to reinvest dividends must be received by the Agent prior to the record date for a dividend to permit the new number of shares to apply to that dividend.

3. DIVIDEND REINVESTMENT

Purchases of shares of Common Stock with reinvested dividends shall occur on the dividend payment date or on the actual date of purchase if the Company directs the Agent to extend the period used to purchase shares in the open market or in privately negotiated transactions for up to an additional trading 15 days after the applicable dividend payment date. Shares of Common Stock purchased with such reinvested dividends shall be, at the Company's option, either from (i) authorized but unissued shares of Common Stock or (ii) shares of Common Stock purchased by the Agent in open market or privately negotiated transactions. In either case, such shares of Common Stock will be sold to the Participant at a price per share determined in accordance with Section 5 hereof.

4. OPTIONAL CASH PURCHASES

A voluntary cash purchase may be made under either the DSPP or WDP (the "Optional Cash Purchase") at the time a Participant enrolls in the Plan, and thereafter from time to time as set forth below. Participants may make Optional Cash Purchases under the

DSPP by delivering a check or money order payable to AMB Investment Plan to the Agent at the address set forth herein. Participants may make Optional Cash Purchases under the WDP by transmitting immediately available funds to the Agent to the account referenced on the Request for Waiver. Participants should send all inquiries regarding other forms of payments and all other written inquiries directly to the Agent at its address set forth in Section 22.

A. Direct Share Purchase Plan.

Any Participant may purchase additional shares of Common Stock under the DSPP by delivering to the Agent a check or money order in U.S. currency made payable to AMB Investment Plan at the address set forth in Section 22. Wire transfers are not permitted for purchases under the DSPP. Under the DSPP, the purchase of shares of Common Stock by a Participant will occur on the next DSPP Investment Date following the date on which the Agent receives the DSPP Payment; provided, however, that if any DSPP Payment is received less than two full business days before the second DSPP Investment Date following the date the payment is received by the Agent, such DSPP Payment will be used to purchase shares of Common Stock on the next DSPP Investment Date following the date on which the Agent receives the DSPP Payment if the Agent determines, in its sole discretion, that insufficient time exists to process the DSPP Payment prior to the next DSPP Investment Date. The aggregate amount of any DSPP Payment of a Participant used to purchase shares of Common Stock during any calendar month shall not be less than $500 nor more than $5,000. Shares of Common Stock purchased under the DSPP shall be, at the Company's option, either from (i) authorized but unissued shares of Common Stock or (ii) shares of Common Stock purchased by the Agent in open market or privately negotiated transactions. In either case, such shares of Common Stock will be sold to the Participant at a price per share determined in accordance with Section 5.

B. Waiver Discount Plan.

Any Participant may purchase additional shares of Common Stock under the WDP by transferring immediately available funds to the account referenced in the Request for Waiver. The Agent must also receive written approval from the Company of the Request for Waiver at least one full business day before the next Investment Period. Under the WDP, a Participant shall purchase the maximum number of shares of Common Stock that may be purchased on each trading day during the applicable Investment Period (as defined below) with 1/12th of the WDP Payment at a price per share equal to the average of the average high and low price per share on that particular trading day during the applicable Investment Period as reported by the New York Stock Exchange or, if the Common Stock is not then listed on the New York Stock Exchange, any other securities exchange or national quotation service on which the Common Stock is then traded or listed for quotation, less a discount of up to 5% in the case of purchases of previously unissued shares of Common Stock, subject to any applicable Threshold Price (as defined below) established pursuant to Section 4.C below (the "Investment Period Average Purchase Price"). "Investment Period" means the period of twelve (12) consecutive trading days

during any calendar month commencing on a date determined at the sole discretion of the Company. Under the WDP, the purchase of shares of Common Stock by a Participant will occur on each trading day during the Investment Period on which shares are traded on the NYSE and, if applicable, on which the average of the high and low sales price per share, as reported on the NYSE, exceeds the applicable Threshold Price. Under the WDP, a Participant will acquire, on each such trading day, all rights of ownership with respect to the shares of Common Stock purchased on such day, including without limitation, the right to dispose of or vote such shares. The WDP Payment must be received by the Agent not less than two full business days before the commencement of the Investment Period; provided, however, that if any WDP Payment is received less than two full business days before the commencement of an Investment Period, such WDP Payment will be used to purchase shares of Common Stock on the second Investment Period

following the date on which the Agent receives the WDP Payment if the Agent determines, in its sole discretion, that insufficient time exists to process the WDP Payment prior to commencement of the next Investment Period. The aggregate amount of any WDP Payment of a Participant used to purchase shares of Common Stock during any calendar month shall not be less than $5,000. Shares of Common Stock purchased under the WDP shall be, at the Company's option, either from (i) authorized and unissued shares of Common Stock or (ii) shares of Common Stock purchased by the Agent in open market or privately negotiated transactions. In either case, such shares of Common Stock will be sold to the Participant at a price per share determined in accordance with Section 5.

C. Threshold Pricing.

The Company may elect to establish for any Investment Period a minimum threshold price (a "Threshold Price") applicable to Optional Cash Purchases made under the WDP with respect to the purchase of newly issued shares of Common Stock not later than three business days prior to the first day of the applicable Investment Period. The Threshold Price, if any, shall be determined by the Company in its sole discretion after reviewing the current market conditions and shall be the per share price that the average of the high and low prices of the Common Stock as reported on the New York Stock Exchange must equal or exceed for each trading day of the relevant Investment Period. In the event that (i) the average per share sale price does not equal or exceed the Threshold Price for any particular trading day in the Investment Period or (ii) no trades of Common Stock are made on the New York Stock Exchange on a day in the Investment Period, then the Company shall exclude that trading day from the Investment Period. The Agent shall return to a Participant one-twelfth of that Participant's Optional Cash Purchase for each trading day of an Investment Period that is excluded by the Company in accordance with the immediately preceding sentence. The Company's election whether to establish a Threshold Price for any particular Investment Period will not affect its rights to establish a Threshold Price in any other Investment Period. Neither the Company nor the Agent shall have any responsibility to notify any Participant regarding the Company's establishment of a Threshold Price for an Investment Period. Any Participant shall be able to confirm the existence of a Threshold Price by telephoning the Company's Investor Relations at (877) 285-3111 during the three business days preceding the applicable Investment Period.

D. Discount Pricing.

The Company may elect to establish, each month and in no event later than three business days prior to the dividend record date, DSPP Investment Date or the first day of the applicable Investment Period, as applicable, a discount from the market price applicable to reinvested dividends and Optional Cash Purchases with respect to the purchase of newly issued shares from the Company. Any discount set by the Company with respect to an Optional Cash Purchase shall apply to the entire Optional Cash Purchase, subject to the limitations set forth below. The Company's election whether to establish a discount for dividend reinvestment or Optional Cash Purchases for any dividend payment date, DSPP Investment Date or Investment Period, as applicable, will not affect its rights to establish a discount for any other dividend payment date, DSPP Investment Date or Investment Period in the future. Any Participant may obtain the discount applicable to the next dividend payment date, DSPP Investment Date or Investment Period by telephoning the Investor Relations at (877) 285-3111 during the three business days prior to the applicable dividend payment date, DSPP Investment Date or Investment Period, as applicable. The discount, if any, shall be determined by the Company in its sole discretion after reviewing the current market conditions, the level of participation in the plan, and current and projected capital needs. Such discount may vary but shall at no time be more than 5% of the average of the high and low sales price per share of Common Stock as reported by the New York Stock Exchange on the applicable dividend payment date or DSPP Investment Date, and for each day during an Investment Period. Notwithstanding the foregoing, the discount may not be varied by the Company during an Investment Period, and shall apply uniformly to all Optional Cash Purchases made under the WDP for each day of the respective Investment Period, provided however, that such purchase price for each share purchased on any particular trading day during the applicable Investment Period, after giving effect to the applicable discount, less the per share amount of any brokerage commissions, trading fees and other costs of purchase paid by the Company on behalf of the Participants on such day, shall not be less than the Minimum Purchase Price as defined in Section 5 below.

E. Procedures Applicable to Optional Cash Purchases.

Participants shall not be obligated to make any DSPP investments or WDP investments, and the amount of such investments may vary, in the case of a purchase under the DSPP, among DSPP Investment Dates, and in the case of a purchase under the WDP, among Investment Periods. With respect to a purchase under the DSPP, if the "Optional Cash Only" box on the Enrollment Form is checked, the Company will continue to pay cash dividends on the shares registered in the Participant's name in the usual manner, but any DSPP Payment received will be applied toward the purchase of additional shares of Common Stock under the DSPP in accordance with the terms hereof. DSPP Payments shall be delivered to the Agent at the address set forth in Section 22.

In the event that any Participant's check with respect to a DSPP Payment is

returned unpaid for any reason, the Agent will consider the request for investment of such money null and void and shall immediately remove from the Participant's account shares, if any, purchased upon the prior credit of such money. The Agent shall thereupon be entitled to sell these shares to satisfy any uncollected amounts. If the net proceeds of the sale of such shares are insufficient to satisfy the balance of such uncollected amounts, the Agent, in addition to any other legal remedies it may have, shall be entitled to sell such additional shares from the Participant's account to satisfy the uncollected balance.

A Participant may obtain a refund of any DSPP Payment or WDP Payment not yet invested upon written request to the Agent at the address set forth in Section 22, provided such request is received not later than two business days prior to, in the case of a DSPP Payment, the next DSPP Investment Date, and in the case of a WDP Payment, the commencement of the next Investment Period. If the Agent receives the Participant's request for refund later than these specified times, the DSPP Payment or WDP Payment, as applicable, will be applied to the purchase of shares of Common Stock.

5. SHARE PURCHASES

As Agent for the Participants in the Plan, the Agent will receive cash dividends from the Company with respect to Common Shares held by the Participants and Optional Cash Purchases from the Participants. Shares to be purchased under the DRIP, the DSPP and the WDP with such cash dividends or Optional Cash Purchases may be purchased in the open market by the Agent on the New York Stock Exchange or any securities exchange where shares of the Company's Common Stock are traded, in the over-the-counter market, or in negotiated transactions, and may be subject to such terms with respect to price, delivery and other matters as to which the Agent may agree. Alternatively, or in combination with open market purchases, the Company has the right to satisfy its obligations under the DRIP, the DSPP and the WDP, by registering and issuing additional shares of Common Stock, subject to compliance with the Securities Act of 1933, as amended, and the rules and regulations thereunder. We may, without giving you prior notice, change our determination as to whether the Agent will purchase shares of Common Stock directly from us or in the open market or in privately negotiated transactions from third parties (although we may not effect such a change more than once in any three-month period) in connection with the purchase of shares with reinvested dividends or from Optional Cash Purchases under the DSPP or the WDP.

In the event that the Company satisfies its obligations hereunder by registering and issuing additional shares of Common Stock, the date of issuance of shares to be purchased with reinvested dividends will be the Dividend Payment Date, and the date of issuance of shares to be purchased with Optional Cash Purchases will be the DSPP Investment Date or on each day on which shares are purchased during the applicable WDP Investment Period, as the case may be.

When the Company is issuing shares of Common Stock to satisfy its obligations under the DRIP or the DSPP, the purchase price will be the average of the highest and

lowest price per share as reported by the New York Stock Exchange or, if the Common Stock is not then listed on the New York Stock Exchange, any other securities exchange or national quotation service on which the Common Stock is then traded or listed for quotation on such Dividend Payment Date or DSPP Investment Date. When the Company is issuing shares of Common Stock to satisfy its obligations under the WDP, the purchase price will be the average of the highest and lowest price per share as reported by the New York Stock Exchange or, if the Common Stock is not then listed on the New York Stock Exchange, any other securities exchange or national quotation service on which the Common Stock is then traded or listed for quotation on each day shares are purchased during the applicable Investment Period. Shares of Common Stock purchased under the DRIP, the DSPP and the WDP on the open market or in privately negotiated transactions shall occur on the applicable Dividend Payment Date or DSPP Investment Date or during the WDP Investment Period, as the case may be; provided, however, that the Company may in the future advise the Agent that the Agent may effect such purchases from time to time in its discretion over such longer period not to exceed the 15 trading days following the applicable Dividend Payment Date, DSPP Investment Date or WDP Investment Period; provided, further, that in the case of such a purchase to be effected following a DSPP Investment Date or WDP Investment Period, in no event shall any such purchase occur on a Dividend Payment Date. If the Company exercises its discretion to execute market purchases over an extended period, the date of issuance will be the actual date of purchase of the Common Stock. In making purchases for a Participant's account, the Agent may commingle a Participant's funds with those of other Participants. The price at which shares will be deemed to have been acquired for a Participant's account shall be the average price (on a day-by-day

basis) of all shares purchased by the Agent for the Plan with reinvested dividends and/or DSPP Payments and/or WDP Payments then being invested. No Participant shall have any authority or power to direct the time or price at which Common Stock may be purchased. No interest will be paid on funds held for investment.

Notwithstanding anything to the contrary in this Plan, the amount per share paid by a Participant for any shares of Common Stock (whether from reinvested dividends or Optional Cash Purchases, and whether acquired from the Company or through open market or privately negotiated transactions) purchased on any particular trading day, less the amount per share of any brokerage commissions, trading fees and any other costs of purchase paid by the Company, if any, shall not be less than 95% of the average of the high and low sales price of the Common Stock reported by the New York Stock Exchange on that particular trading day (the "Minimum Purchase Price") In the event that shares would be purchased below the Minimum Purchase Price, the Company will instead reduce the discount, if any, or charge the Participant for such commissions, fees or costs on such share purchase so that the Participant's purchase price per share will equal the Minimum Purchase Price.

The number of shares to be purchased for a Participant will depend on the net amount of the Participant's dividends available for reinvestment under the DRIP, and/or the aggregate amount of the DSPP Payment and/or WDP Payment and the price per share

of the Common Stock. Each Participant's account will be credited with the number of shares, including fractions calculated to four decimal places, equal to the total of a Participant's funds available for investment, divided by the applicable per share purchase price of the shares purchased.

The Agent shall have no responsibility as to the value of the Common Stock acquired for a Participant's account. It is understood that for a number of reasons, including observance of the Rules and Regulations of the Securities and Exchange Commission requiring temporary curtailment or suspension of purchases and the limitations on ownership contained in the Company's charter, the whole amount of funds available in a Participant's account for the purchase of Common Stock might not be applied to such purchase. The Agent shall not be liable when conditions prevent the purchase of Common Stock or interfere with the timing of such purchases.

6. COSTS

The Company will pay all of the costs of administrating the Plan (other than brokerage commissions and trading fees). The Company will pass on to each Participant the fees and commissions associated with the purchase and sale of shares of Common Stock attributable to each Participant under the Plan.

7. CUSTODIAL SERVICE

All shares of Common Stock that are purchased by Participants under the DRIP, DSPP or the WDP shall be held in the Participant's name and the shares shall be added to the Participants' balance in the Plan. The Agent shall act as custodian for all of the Participants' shares held in the Plan.

A Participant may send to the Agent for safekeeping all Common Stock certificates which the Participant holds. The Agent will keep all shares represented by such certificates for safekeeping in book entry form, combined with any full and fractional shares then held in the Plan in the name of the Participant. In order to deposit share certificates in the Plan, a Participant must submit a letter of instruction to the Agent. Shares certificates may be withdrawn from the Plan by instructing the Agent in writing.

8. STATEMENT OF ACCOUNT

As soon as practicable after the purchase of Common Stock is completed, the Agent will send each Participant a statement of account confirming the transaction and itemizing any previous investment activity for the calendar year. If a Participant participates in the Plan through a broker, bank or nominee, the Participant's statement of account will be sent to the respective broker, bank or nominee and the Participant must contact the broker, bank or nominee to obtain the statement.

9. DIVIDENDS ON PLAN SHARES

As the custodian for the Common Stock held in Participants' accounts under the Plan (whether such shares were purchased under the DRIP, the DSPP or the WDP) the Agent will receive dividends (less any applicable tax withholding requirements imposed on the Company) for all Plan shares held on the applicable record date, will credit such dividends to Participants' accounts on the basis of shares held in these accounts, and will automatically reinvest such dividends in additional Common Stock unless it is otherwise instructed in writing by the Participant.

If the Company distributes stockholders' subscription rights to purchase additional shares of common stock or other securities, the Agent shall sell the rights accruing to all shares held in a Participant's name when the rights become separately tradable. The Agent will apply the net proceeds from the sale of the rights to the purchase of Common Stock with the next monthly Optional Cash Purchase. If a Participant does not want the subscription or such other rights sold, such Participant may notify the Agent by submitting an updated Enrollment Form which shall direct the Agent to distribute the rights directly to the Participant.

10. SALE OF PLAN SHARES

A Participant can instruct the Agent in writing to sell any or all of the whole shares of Common Stock held in the Plan. The written notification to the Agent must include the number of shares to be sold. Any such request that does not clearly indicate the number of shares to be sold will be returned to the Participant with no action taken. The Agent will make the sale as soon as practicable after receipt of a Participant's proper request and a check for the proceeds, less brokerage commission, transfer taxes (if any) and a $15.00 service fee, will be sent by the Agent promptly after the settlement date. No Participant shall have the authority or power to direct the date or sales price at which Common Stock may be sold. A withdrawal/termination form will be provided on the reverse side of the statement of account for this purpose. Participants should mail this form to the Agent at the address set forth in Section 22.

A Participant may transfer ownership of all or any part of their shares held in the Plan through gift, private sale or otherwise, by mailing to the Agent at the above address a properly executed stock assignment, along with a letter requesting the transfer and a Substitute Form W-9 completed by the transferee. If any stock certificates in such Participant's account contain a restrictive legend, the Agent will comply with the provisions of such restrictive legend before effecting a sale or transfer of such restricted shares. All transfers shall be subject to the limitations on ownership and transfer provided herein and in the Company's charter.

11. ISSUANCE OF SHARE CERTIFICATES

Share certificates will not be issued unless a request is made to the Agent. The number of shares held in the Plan by a Participant will be shown on the regular statement

of account provided to such Participant. By contacting the Agent by telephone or in writing, a Participant may request, without charge, a share certificate for any or all of the whole shares held for such Participant in the Plan. Each certificate issued will be registered in the name or names in which the account is maintained, unless otherwise instructed in writing. If a certificate is to be issued in a name other than the name on the Plan Account, the Participant or Participants must have their signature(s) guaranteed by a commercial banker or broker. Certificates for fractional shares will not be issued under any circumstances.

12. TERMINATION OF PLAN PARTICIPATION

In order to terminate participation in the Plan, a Participant must notify the Agent in writing. The Company may also terminate the Plan by sending written notice to the Participants and to the Agent. After the Agent receives the termination notice, dividends will be sent to the stockholder in the usual manner, and no further voluntary cash purchases may be made. A termination notice will be effective upon receipt by the Agent, provided such notice is received at least two business days prior to the next dividend record date, Optional Cash Purchase Payment Date or commencement of the next Investment Period. If a termination notice is not received by the Agent at least two business days prior to any dividend record date, in the case of the DRIP, and in the case of the DSPP and WDP, at least two business days prior to the commencement of the DSPP Investment Date or Investment Period respectively, it will not be processed until after purchases made from dividends paid have been completed and credited to Participants' accounts. Once termination has been effected, the Agent will issue to the Participant a certificate for all whole shares held by a Participant under the Plan. Alternatively, a Participant may specify in the termination notice that some or all of the shares be sold. The Agent will deliver a check to the Participant for the net proceeds.

If a Participant transfers shares represented by certificates registered in such Participant's name on the Company's books but does not notify the Agent, the Agent will continue to reinvest dividends on shares held in such Participant's account under the Plan until otherwise directed.

If a Participant's Plan account balance falls below one full share, the Agent reserves the right to sell the fractional share and remit the proceeds, less any applicable fees, to the Participant at the Participant's address appearing in the Agent's records.

13. PLAN ADMINISTRATION

The Agent, or a successor selected by the Company, will administer the Plan for Participants, keep records, send statements of account to Participants, answer Participants' questions and perform other duties set forth herein or otherwise related to the Plan. All inquiries regarding the Plan should be sent to the Agent at the address set forth in Section 22.

As soon as practicable after each purchase for a Participant's account, a statement of account will be mailed to the Participant by the Agent. In addition, the Agent shall send to each Participant all communications sent to other stockholders, including, if applicable, any annual and quarterly reports to stockholders, proxy statements and dividend income information for tax reporting purposes.

The Company may remove the Agent upon 60 days prior written notice to the Agent (the "Termination Notice"). The Agent may resign as Agent upon 60 days prior written notice to the Company. Upon any such removal or resignation, the Agent shall be relieved and discharged of any further responsibilities with respect to its duties thereunder. Not later than 30 days after the date on which the Agent receives or delivers, as the case may be, the Termination Notice (the "Termination Notice Date"), the Company shall deliver to the Agent a written notice instructing the Agent to deliver to the Company or its designee all of the statements of account, the shares of Common Stock held by the Agent under the Plan, and all other books and records in connection with the administration of the Plan (collectively, the "Plan Records"). The Agent shall comply with instruction and deliver the Plan Records to the Company or its designee not later than 10 business days following the date it receives such instruction; provided, however, that if no instruction is received by the Agent by the 30th day following the Termination Notice Date, the Agent shall deliver the Plan Records to the Company not later than 45 days after the Termination Notice Date. The Agent shall cooperate with and assist the Company or any successor agent with the transfer of the Plan Records.

As Agent, BankBoston N.A. shall act in accordance with the Plan and in accordance with applicable laws, including without limitation the Securities Exchange Act of 1934, as amended (the "Exchange Act") and interpretations thereof by the Securities and Exchange Commission.

The Agent shall keep appropriate records concerning the Plan accounts, purchases and sales of the Company's securities made under the Plan and Participants' addresses of record and shall send statements of account and confirmations to each Participant in accordance with the provisions hereof. Without limiting the foregoing, the Agent shall maintain and retain for a period of not less than two years from the date of the event the following information: (i) the dates and substance of any materials distributed in connection with the Plan, (ii) the number of Participants as of the end of each month; (iii) the volume of Company securities purchased under the Plan by the Agent each month; and (iv) a record of any period during which the Company is engaged in any other distribution of shares of its Common Stock or other Company securities for purposes of Regulation M under the Exchange Act. The Company shall notify the Agent of the commencement and the termination of any such period on the date of any such commencement or termination:

The Agent:

(a) shall have no duties or obligations other than those specifically set forth herein or as may subsequently be agreed to in writing between the Agent and the Company. Without limiting the foregoing, nothing herein shall impose any fiduciary duty upon the Agent to any Participant, as such term is defined herein;

(b) shall be regarded as making no representation and having no responsibilities as to the validity, sufficiency, value, or genuineness of any of the Company's securities purchased or sold in connection herewith, and will not be required to or be responsible for and will make no representations as to, the validity, sufficiency, value or genuineness of any of the Company's securities;

(c) shall not be obligated to take any legal action hereunder; if, however, the Agent determines to take any legal action hereunder, and where the taking of such action might, in its reasonable judgment, subject or expose it to any expense or liability, the Agent shall not be required to act unless it shall have been furnished with an indemnity reasonably satisfactory to it;

(d) may rely on and shall be fully authorized and protected in acting or failing to act in good faith reliance upon any certificate, instrument, opinion, notice, letter, telegram, telex, facsimile transmission or other document or security

delivered to and believed by the Agent to be genuine and to have been signed by the proper person or persons;

(e) shall not be liable or responsible for any failure on the part of the Company or any Participant to comply with any of their respective obligations relating to the Plan or under applicable law, including without limitation obligations under applicable securities laws;

(f) shall have no obligation to make any payment unless it has received the necessary funds as set forth herein to make such payments in full;

(g) may consult with counsel reasonably satisfactory to the Agent, including in-house counsel, if any, or counsel to the Company, and the advice of such counsel shall be full and complete authorization and protection in respect of any action taken, suffered, or omitted by the Agent in good faith and in accordance with the advice of such counsel;

(h) may perform any of its duties hereunder either directly or by or through agents or attorney which are not affiliates of the Company (except for purchase and sale orders submitted by Participants, including accompanying funds, all of which will be handled only by the Agent's personnel), provided that (i) any activities that constitute transfer agent functions, as defined in section 3(a)(25) of the Exchange Act, must be conducted either by the Agent itself or by a service organization that is a registered transfer agent under the Exchange Act, and (ii) no such agent or attorney shall receive compensation based on the number and type of orders or transactions processed through the Plan. The Agent shall not be liable or responsible for any misconduct or negligence on the part of any agent or attorney appointed with reasonable care by it hereunder; and

(i) is not authorized, and shall have no obligation, to pay any brokers, dealers, or soliciting fees to any person.

In exercising all of its duties and obligations hereunder, the Agent shall use the same degree of skill in its exercise as a prudent man would exercise or use under the circumstances in the conduct of his own affairs.

Notwithstanding the foregoing, the Agent may not be relieved from liability for its own negligent action, its own negligent failure to act, or its own willful misconduct, except that the Agent shall not be liable for any error or judgment made in good faith unless it is proved that the Agent was negligent in ascertaining the pertinent facts.

The Agent may charge reasonable fees for its services in connection with the Plan (to the extent consistent with the provisions of the Plan) including without limitation fees for purchase and sale order processing, enrollment, custody, account maintenance and dividend reinvestment and shall be reimbursed for all its reasonable out-of-pocket costs and expenses. All such fees, costs and expenses shall be paid by the Company, except that Participants and other eligible book entry stockholders will be required to pay a nominal commission and fee for each sale order and a nominal fee for the issuance of duplicate statements of account or transaction notices. The Agent may from time to time by notice to the Company and the Participants establish the amount of any such fees.

The Agent shall have the authority to undertake any act reasonably necessary to fulfill its duties as set forth herein.

In administering the Plan, neither the Agent, the Company nor any agent for either will be liable for (i) any act done in good faith or for any good faith omission to act, including, without limitation, any claim of liability arising out of failure to terminate a Participant's account upon such Participant's death or adjudicated incompetence prior to

the receipt of written notice of such death or adjudicated incompetence, (ii) the prices at which Common Stock are purchased for the Participant's account, (iii) the times when purchases are made or (iv) fluctuations in the per share market value of the Common Stock. The Agent shall not be liable for any failure or delays arising out of conditions beyond its reasonable control including, but not limited to, work stoppages, fires, civil disobedience, riots, rebellions, storms, electrical, mechanical, computer or communications facilities failures, acts of God or similar occurrences.

Neither the Agent, the Company nor any agent for either shall have any duties, responsibilities or liabilities except such as are expressly set forth herein and in the Agent Agreement. The Company specifically disclaims any responsibility for any of the Agent's actions or inactions in connection with the administration hereof.

The Company will indemnify and hold harmless the Agent and its officers, directors, shareholders, and agents from and against any loss, liability, damage or expense (including reasonable attorneys' fees and expenses) (a "Loss") incurred as a result of the performance of the Agent's duties hereunder, provided that such Loss is not (a) due to any negligent or bad faith act or omission by the Agent, (b) due to a failure by the Agent to act in accordance with the provisions hereof or the written instructions of the Company or (c) due to a breach by the Agent of its agreements set forth herein.

14. PLEDGE OF SHARES

Shares held in the Plan may not be pledged or assigned, and any such purported pledge or assignment shall be void.

15. VOTING

The Agent will not vote any shares that it holds for a Participant's account except as directed by the Participant. If no instructions are received, the shares will not be voted. Each Participant that is a registered holder will receive a proxy voting card for the total of their whole shares, including shares that they hold in the Plan. Neither the Company nor the Agent shall be required to send proxy materials to any Participant that holds shares of Common Stock through a broker, bank or nominee and any such Participant must contact such broker, bank or nominee to vote their shares.

16. SHARE DIVIDENDS, ETC.

Any Common Stock dividend upon, or shares of Common Stock issued as a result of, splits of Common Stock, both full and fractional, will be credited by the Agent to Participants' accounts. Participation in any rights offering will be based upon both the Common Stock registered in Participants' names and the Common Stock credited to Participants' accounts. Rights applicable to Common Stock credited to a Participant's account under the Plan will be sold by the Agent and proceeds will be credited to the Participant's account under the Plan and applied to the purchase of Common Stock on the

next DSPP Investment Date (or over the 15 trading days following the next DSPP Investment Date as provided in Section 5 of this Plan). Any Participant who wishes to exercise, transfer or sell the rights applicable to the Common Stock credited to the Participant's account under the Plan must request, prior to the record date for the issuance of any such rights, that the Common Stock credited to the Participant's account be transferred from the Participant's account and registered in the Participant's name.

17. OWNERSHIP LIMITATIONS

The Company's charter places certain restrictions upon the actual and constructive ownership of shares of each class or series of stock, applied to each class or series of stock separately. With respect to the Common Stock of the Company, any one person or entity is limited to owning, actually and constructively, no more than 9.8% of the outstanding Common Stock of the Company (the "Ownership Limit"). The percentage of ownership is measured by either value or absolute number of shares, whichever measurement is more restrictive. To the extent any transfer of Common Stock, reinvestment of dividends or Optional Cash Purchase elected by a stockholder would cause such stockholder or any other person or entity to exceed the Ownership Limit or otherwise violate the Company's charter, such transfer or investment will be void ab initio as to that stockholder or the other person or entity, and such stockholder or other person or entity will be entitled to receive cash dividends (without interest) in lieu of such reinvestment or to a return of such Optional Cash Purchase (without interest), as applicable.

In order to monitor the Ownership Limit and the limitation of cash purchases which may be made under the Plan, the Company has right to aggregate all plan accounts that it believes, in its sole discretion, are under common control or management or to have common ultimate beneficial ownership. If the Company exercises such right, it shall aggregate the accounts and return, without interest, within 35 days of receipt, any amounts in excess of the investment limitations applicable to a single account received in respect of all such accounts.

18. AMENDMENT OR TERMINATION OF PLAN

The Plan may be amended, modified, suspended, supplemented or terminated by the Company at any time, provided, however, that when necessary or appropriate to comply with law or the rules or policies of the Securities and Exchange Commission or other applicable regulatory authority, such action shall be effective only by mailing appropriate written notice at least 30 days prior to the effective date of such action to each Participant. Any such action shall be deemed accepted by the Participant unless prior to the effective date thereof, the Agent receives written notice of the termination of the Participant's account. Any such amendment may include an appointment by the Company of a successor agent under the terms and conditions set forth herein, in

which event the Company is authorized to pay such successor agent for the account of each Participant all dividends and distributions payable on Common Stock held by the Participant under the Plan for application by such successor agent as provided herein. Notwithstanding the

foregoing, such action shall not have any retroactive effect that would prejudice the interests of the Participants. In the event of termination, certificates for whole shares held by each Participant in the Plan will be delivered to such Participant together with a check for the net proceeds of the value of any fractional shares, which value will be equal to the average of the highest and lowest price per share as then reported by the New York Stock Exchange or, if the Common Stock is not then listed on the New York Stock Exchange, any other securities exchange or national quotation service on which the Common Stock is then traded or listed for quotation on the date of such termination.

19. GOVERNING LAW

The terms and conditions of the Plan and its operation shall be governed by the internal laws of the State of Maryland, without regard to otherwise applicable principles of conflicts of law.

20. INTERPRETATION

Any question of interpretation arising under the Plan will be determined by the Company, and any such determination will be final.

21. EFFECTIVE DATE

The effective date of the Plan shall be July 9,1999.

22. CORRESPONDENCE AND QUESTIONS

All correspondence and questions regarding the Plan and any account thereunder should be directed to:

BankBoston N.A.
c/o EquiServe Limited Partnership
150 Royall Street
Canton, Massachusetts 02021
Telephone (800) 331-9474

EXHIBIT 10.5

THE SECOND AMENDED AND RESTATED
1997 STOCK OPTION AND INCENTIVE PLAN
OF
AMB PROPERTY CORPORATION
AND AMB INVESTMENT MANAGEMENT, INC.
AND THEIR RESPECTIVE SUBSIDIARIES

AMB Property Corporation, a Maryland corporation (the "Company") and AMB Investment Management, Inc., a Maryland corporation (the "Investment Management Company") adopted The 1997 Stock Option and Incentive Plan of AMB Property Corporation and AMB Investment Management, Inc. and their Respective Subsidiaries (as such term is defined below), effective November 26, 1997, for the benefit of their eligible employees, consultants and directors and those of their Subsidiaries. The 1997 Stock Option and Incentive Plan of AMB Property Corporation and AMB Investment Management, Inc. and their Respective Subsidiaries was amended and restated in its entirety in the form of the First Amended and Restated 1997 Stock Option and Incentive Plan of AMB Property Corporation and AMB Investment Management, Inc. and their Respective Subsidiaries, effective March 5, 1999, as amended by the First Amendment to the First Amended and Restated 1997 Stock Option and Incentive Plan, effective March 5, 1999 (as amended, the "First Amended and Restated 1997 Stock Option and Incentive Plan"). The First Amended and Restated 1997 Stock Option and Incentive Plan is hereby amended and restated in its entirety in the form of this Second Amended and Restated 1997 Stock Option and Incentive Plan of AMB Property Corporation and AMB Investment Management, Inc. and their Respective Subsidiaries (as amended and restated, the "Plan"), effective as of May 7, 1999. The Plan consists of two plans, one for the benefit of employees, consultants and independent directors of the Company and its Subsidiaries and one for the benefit of the employees, consultants and independent directors of the Investment Management Company and its Subsidiaries.

The purposes of this Plan are as follows:

(1) To provide an additional incentive for directors, key Employees and consultants to further the growth, development and financial success of the Company by personally benefiting through the ownership of Company stock and/or rights which recognize such growth, development and financial success.

(2) To enable the Company and the Investment Management Company, and their respective Subsidiaries, to obtain and retain the services of directors, key Employees and consultants considered essential to the long range success of the Company by offering them an opportunity to own stock in the Company and/or rights which will reflect the growth, development and financial success of the Company.

ARTICLE I.
DEFINITIONS

1.1. General. Wherever the following terms are used in this Plan they shall have the meanings specified below, unless the context clearly indicates otherwise.

1.2. Award Limit. "Award Limit" shall mean 1 million shares of Common Stock, as adjusted pursuant to Section 10.3.

1.3. Board. "Board" shall mean the Board of Directors of the Company.

1.4. Cause. "Cause," unless otherwise defined in an Employee's employment agreement, or a consultant's consulting agreement, with the Company or one of its Subsidiaries, shall mean (i) gross negligence or willful misconduct, (ii) an uncured breach of any of the employee's material duties under their employment agreement, (iii) fraud or other conduct against the material best interests of the Company or (iv) a conviction of a felony if such conviction has a material adverse effect on the Company.

1.5. Change in Control. "Change in Control" shall mean a change in ownership or control of the Company effected through either of the following transactions:

(a) any person or related group of persons (other than the Company or a person that directly or indirectly controls, is controlled by, or is under common control with, the Company) directly or indirectly acquires beneficial ownership (within the meaning of Rule 13d-3 under the Exchange Act) of securities possessing more than fifty percent (50%) of the total combined voting power of the Company's outstanding securities pursuant to a tender or

exchange offer made directly to the Company's stockholders which the Board does not recommend such stockholders to accept; or

(b) there is a change in the composition of the Board over a period of thirty-six (36) consecutive months (or less) such that a majority of the Board members (rounded up to the nearest whole number) ceases, by reason of one or more proxy contests for the election of Board members, to be comprised of individuals who either (i) have been Board members continuously since the beginning of such period or (ii) have been elected or nominated for election as Board members during such period by at least a majority of the Board members described in clause (i) who were still in office at the time such election or nomination was approved by the Board.

1.6. Code. "Code" shall mean the Internal Revenue Code of 1986, as amended.

1.7. Committee. "Committee" shall mean, with respect to the Company and any Company Subsidiary, the Compensation Committee of the Board, or another committee or subcommittee of the Board, appointed as provided in Section 9.1 and, with respect to the Investment Management Company, the Compensation Committee of its board of directors or

another committee or subcommittee of such board, if any, appointed by the Board of Directors of the Investment Management Company in a manner consistent with Section 9.1 hereof (except that references to the Board in such Section shall mean the board of directors of the Investment Management Company) or the Investment Management Company's board of directors; provided, however, that in the case of a person who is an "officer or director of the issuer" within the meaning of Rule 16-3(a) under the Securities Exchange Act of 1934, as amended, the grant of any award under this Plan to such person shall be made by the Compensation Committee of the Board.

1.8. Common Stock. "Common Stock" shall mean the common stock of the Company, par value $.01 per share, and any equity security of the Company issued or authorized to be issued in the future, but excluding any preferred stock and any warrants, options or other rights to purchase Common Stock. Debt securities of the Company convertible into Common Stock shall be deemed equity securities of the Company.

1.9. Company. "Company" shall mean AMB Property Corporation, a Maryland corporation.

1.10. Company Employee. "Company Employee" shall mean any officer or other employee (as defined in accordance with Section 3401(c) of the Code) of the Company or of any Company Subsidiary.

1.11. Company Subsidiary. "Company Subsidiary" shall mean (i) a corporation, association or other business entity of which 50% or more of the total combined voting power of all classes of capital stock is owned, directly or indirectly, by the Company or by one or more Company Subsidiaries or by the Company and one or more Company Subsidiaries, (ii) any partnership or limited liability company of which 50% or more of the capital and profits interests is owned, directly or indirectly, by the Company or by one or more Company Subsidiaries or by the Company and one or more Company Subsidiaries, and (iii) any other entity not described in clauses (i) or (ii) above of which 50% or more of the ownership and the power, pursuant to a written contract or agreement, to direct the policies and management or the financial and the other affairs thereof, are owned or controlled by the Company or by one or more other Company Subsidiaries or by the Company and one or more Company Subsidiaries.

1.12. Consultant. "consultant" shall mean any consultant or adviser if:

(a) the consultant or adviser renders bona fide services to the Company, the Investment Management Company or their respective subsidiaries;

(b) the services rendered by the consultant or adviser are not in connection with the offer or sale of securities in a capital-raising transaction and do not directly or indirectly promote or maintain a market for the securities of the Company, the Investment Management Company or their respective subsidiaries; and

(c) the consultant or adviser is a natural person who has contracted directly with the Company, the Investment Management Company or their respective subsidiaries, as applicable, to render such services.

1.13. Corporate Transaction. "Corporate Transaction" shall mean

any of the following stockholder-approved transactions to which the Company is a party:

(a) a merger or consolidation in which the Company is not the surviving entity, except for a transaction the principal purpose of which is to change the State in which the Company is incorporated, form a holding company or effect a similar reorganization as to form whereupon this Plan and all Options are assumed by the successor entity;

(b) the sale, transfer, exchange or other disposition of all or substantially all of the assets of the Company, in complete liquidation or dissolution of the Company in a transaction not covered by the exceptions to clause (a), above; or

(c) any reverse merger in which the Company is the surviving entity but in which securities possessing more than fifty percent (50%) of the total combined voting power of the Company's outstanding securities are transferred or issued to a person or persons different from those who held such securities immediately prior to such merger.

1.14. Deferred Stock. "Deferred Stock" shall mean Common Stock awarded under Article VII of this Plan.

1.15. Director. "Director" shall mean an Independent Director, an Investment Management Company Director or a Non-Employee Director.

1.16. Dividend Equivalent. "Dividend Equivalent" shall mean a right to receive the equivalent value (in cash or Common Stock) of dividends or regular cash distributions paid on Common Stock, awarded under Article VII of this Plan.

1.17. Employee. "Employee" shall mean any Company Employee or any Investment Management Company Employee.

1.18. Exchange Act. "Exchange Act" shall mean the Securities Exchange Act of 1934, as amended.

1.19. Fair Market Value. "Fair Market Value" of a share of Common Stock as of a given date shall be (i) the closing price of a share of Common Stock on the principal exchange on which shares of Common Stock are then trading, if any (or as reported on any composite index which includes such principal exchange), on the trading day previous to such date, or if shares were not traded on the trading day previous to such date, then on the next preceding date on which a trade occurred, or (ii) if Common Stock is not traded on an exchange but is quoted on Nasdaq or a successor quotation system, the mean between the closing representative bid and asked prices for the Common Stock on the trading day previous to such date as reported by Nasdaq or such successor quotation system; or (iii) if Common Stock is not

publicly traded on an exchange and not quoted on Nasdaq or a successor quotation system, the Fair Market Value of a share of Common Stock as established by the Committee (or the Board, in the case of Options granted to Independent Directors) acting in good faith. Notwithstanding anything to the contrary herein, the Fair Market Value at the time of grant of a share of Common Stock underlying an option grant or other award made under this Plan and in connection with the initial public offering of the Company shall be the initial offering price per share.

1.20. General Partner Interest. "General Partner Interest" shall mean an ownership interest in the Partnership that is a general partner interest and includes any and all benefits to which the holder of such an interest may be entitled as provided in the Partnership Agreement, together with all obligations of such holder to comply with the terms and provisions of such agreement.

1.21. Grantee. "Grantee" shall mean an Employee or consultant granted a Performance Award, Dividend Equivalent, Stock Payment or Stock Appreciation Right, or an award of Deferred Stock, under this Plan.

1.22. Incentive Stock Option. "Incentive Stock Option" shall mean an option which conforms to the applicable provisions of Section 422 of the Code and which is designated as an Incentive Stock Option by the Committee.

1.23. Initial Independent Director. "Initial Independent Director" shall have the meaning given to such term in Section 3.4(d) hereof.

1.24. Independent Director. "Independent Director" shall mean a member of the Board who is not an employee, officer or affiliate of the Company or a subsidiary or division thereof, or a relative of a principal executive officer, and who is not an individual member of an organization acting as an advisor, consultant or legal counsel receiving compensation on a continuing basis from the Company in addition to director's fees.

1.25. Investment Management Company. "Investment Management Company" shall mean AMB Investment Management, Inc., a Maryland corporation.

1.26. Investment Management Company Employee. "Investment Management Company Employee" shall mean any officer or other employee (as defined in accordance with Section 3401(c) of the Code) of the Investment Management Company, or any corporation or partnership which is then an Investment Management Company Subsidiary.

1.27. Investment Management Company Independent Director. "Investment Management Company Independent Director" shall mean a member of the Investment Management Company Board who is not (i) an employee, officer, or affiliates of the Company, the Investment Management Company or a subsidiary or division of the foregoing, or a relative of a principal executive officer, and who is not an individual member of an organization acting as an advisor, consultant or legal counsel receiving compensation on a continuing basis from the company or the Investment Management Company in addition to director's fees or (b) an Independent Director.

1.28. Investment Management Company Purchase Price. "Investment Management Company Purchase Price" shall have the meaning set forth in Section 5.5 hereof.

1.29. Investment Management Company Purchased Shares. "Investment Management Company Purchased Shares" shall have the meaning set forth in Section 5.5 hereof.

1.30. Investment Management Company Subsidiary. "Investment Management Company Subsidiary" shall mean (i) a corporation, association or other business of which 50% or more of the total combined voting power of all classes of capital stock is owned, directly or indirectly, by the Investment Management Company or by one or more Investment Management Company Subsidiaries or by the Investment Management Company and one or more Investment Management Company Subsidiaries, (ii) any partnership or limited liability company of which 50% or more of the capital and profits interests is owned, directly or indirectly, by the Investment Management Company or by one or more Investment Management Company Subsidiaries or by the Investment Management Company and one or more Investment Management Company Subsidiaries and (iii) any other entity not described in clauses (i) or (ii) above of which 50% or more of the ownership and the power, pursuant to a written contract or agreement, to direct the policies and management or the financial and the other affairs thereof, are owned or controlled by the Investment Management Company or by one or more Investment Management Company Subsidiaries or by the Investment Management Company and one or more Investment Management Company Subsidiaries.

1.31. Non-Employee Director. "Non-Employee Director" shall mean a member of the Board or the Investment Management Company Board who is not an Independent Director, an Investment Management Company Independent Director or an Employee.

1.32. Non-Qualified Stock Option. "Non-Qualified Stock Option" shall mean an Option which is not designated as an Incentive Stock Option by the Committee.

1.33. Option. "Option" shall mean a stock option granted under Article III of this Plan. An Option granted under this Plan shall, as determined by the Committee, be either a Non-Qualified Stock Option or an Incentive Stock Option; provided, however, that Options granted to anyone other than Company Employees shall be Non-Qualified Stock Options.

1.34. Optionee. "Optionee" shall mean an Employee, consultant or Director granted an Option under this Plan.

1.35. Partnership. "Partnership" shall mean AMB Property, L.P., a Delaware limited partnership.

1.36. Partnership Agreement. "Partnership Agreement" shall mean the Amended and Restated Agreement of Limited Partnership of the Partnership, as the same may be amended, modified or restated from time to time.

1.37. Partnership Employee. "Partnership Employee" shall mean any officer, other employee (as defined in accordance with Section 3401(c) of the Code) of the Partnership, or any entity which is then a Partnership Subsidiary.

1.38. Partnership Purchase Price. "Partnership Purchase Price" shall have the meaning set forth in Section 5.4

1.39. Partnership Purchased Shares. "Partnership Purchased Shares" shall have the meaning set forth in Section 5.4.

1.40. Partnership Subsidiary. "Partnership Subsidiary" shall mean (i) a corporation, association or other business entity of which 50% or more of the total combined voting power of all classes of capital stock is owned, directly or indirectly, by the Partnership or by one or more Partnership Subsidiaries or by the Partnership and one or more Partnership Subsidiaries, (ii) any partnership or limited liability company of which 50% or more of the capital and profits interests is owned, directly or indirectly, by the Partnership or by one or more Partnership Subsidiaries or by the Partnership and one or more Partnership Subsidiaries, and (iii) any other entity not described in clauses (i) or (ii) above of which 50% or more of the ownership and the power, pursuant to a written contract or agreement, to direct the policies and management or the financial and the other affairs thereof, are owned or controlled by the Partnership or by one or more other Partnership Subsidiaries or by the Partnership and one or more Partnership Subsidiaries.

1.41. Performance Award. "Performance Award" shall mean a cash bonus, stock bonus or other performance or incentive award that is paid in cash, Common Stock or a combination of both, awarded under Article VII of this Plan.

1.42. Plan. "Plan" shall mean the Second Amended and Restated 1997 Stock Option and Incentive Plan of AMB Property Corporation and AMB Investment Management, Inc. and their Respective Subsidiaries.

1.43. Restricted Stock. "Restricted Stock" shall mean Common Stock awarded under Article VI of this Plan.

1.44. Restricted Stockholder. "Restricted Stockholder" shall mean an Employee or consultant granted an award of Restricted Stock under Article VI of this Plan.

1.45. Rule 16b-3. "Rule 16b-3" shall mean that certain Rule 16b-3 under the Exchange Act, as such Rule may be amended from time to time.

1.46. Section 162(m) Participant. "Section 162(m) Participant" shall mean any key Employee designated by the Committee as a key Employee whose compensation for the fiscal year in which the key Employee is so designated or a future fiscal year may be subject to the limit on deductible compensation imposed by Section 162(m) of the Code.

1.47. Stock Appreciation Right. "Stock Appreciation Right" shall mean a stock appreciation right granted under Article VIII of this Plan.

1.48. Stock Payment. "Stock Payment" shall mean (i) a payment in the form of shares of Common Stock, or (ii) an option or other right to purchase shares of Common Stock, as part of a deferred compensation arrangement, made in lieu of all or any portion of the compensation, including without limitation, salary, bonuses and commissions, that would otherwise become payable to a key Employee or consultant in cash, awarded under Article VII of this Plan.

1.49. Subsidiary. "Subsidiary" shall mean any Company Subsidiary or Investment Management Company Subsidiary.

1.50. Termination of Consultancy. "Termination of Consultancy" shall mean the time when the engagement of an Optionee, Grantee or Restricted Stockholder as a consultant to the Company, a Company Subsidiary, the Investment Management Company, an Investment Management Company Subsidiary, the Partnership or a Partnership Subsidiary is terminated for any reason, with or without Cause, including, but not by way of limitation, by resignation, discharge, death or retirement; but excluding terminations where there is a simultaneous commencement of employment with the Company, a Company Subsidiary, the Investment Management Company, an Investment Management Company Subsidiary, the Partnership or a Partnership Subsidiary. The Committee, in its absolute discretion, shall determine the effect of all matters and questions relating to Termination of Consultancy, including, but not by way of limitation, the question of whether a Termination of Consultancy resulted from a discharge for Cause, and all questions of whether a particular leave of absence constitutes a Terminations of Consultancy. Notwithstanding any other provision of this Plan, the Company, a Company Subsidiary, the Investment Management Company, an Investment Management Company Subsidiary, the Partnership or a Partnership Subsidiary has an absolute and unrestricted right to terminate a consultant's service at any time for any reason whatsoever, with or without Cause, except to the extent expressly provided otherwise in writing.

1.51. Termination of Directorship. "Termination of Directorship" shall mean the time when an Optionee, Grantee or Restricted Stockholder who is an Independent Director or a Management Investment Company Independent Director ceases to be a Director for any reason, including, but not by way of limitation,

a termination by resignation, failure to be elected, death or retirement; but excluding, at the discretion of the Committee, terminations (i) where there is a simultaneous reemployment or continuing employment of an Optionee, Grantee or Restricted Stockholder by the Company, a Company Subsidiary, the Investment Management Company, an Investment Management Company Subsidiary, the Partnership or a Partnership Subsidiary and (ii) which are followed by the simultaneous establishment of a directorship with the Company, a Company Subsidiary, the Investment Management Company, an Investment Management Company Subsidiary, the Partnership or a Partnership Subsidiary. The Board, in its sole and absolute discretion, shall determine the effect of all matters and questions relating to Termination of Directorship with respect to Independent Directors or Management Investment Company Independent Directors in accordance with the Company's bylaws.

1.52. Termination of Employment. "Termination of Employment" shall mean the time when the employee-employer relationship between an Optionee, Grantee or Restricted Stockholder and the Company, Investment Management Company or Partnership, or any of their respective Subsidiaries, is terminated for any reason, with or without Cause, including, but not by way of limitation, a termination by resignation, discharge, death, disability or retirement; but excluding (i) terminations where there is a simultaneous reemployment or continuing employment of an Optionee, Grantee or Restricted Stockholder by the Company, a Company Subsidiary, the Investment Management Company, an Investment Management Company Subsidiary, the Partnership or a Partnership Subsidiary, (ii) at the discretion of the Committee, terminations which result in a temporary severance of the employee-employer relationship, and (iii) at the discretion of the Committee, terminations which are followed by the simultaneous establishment of a consulting relationship by the Company, a Company Subsidiary, the Investment Management Company, an Investment Management Company Subsidiary, the Partnership or a Partnership Subsidiary with the former employee. The Committee, in its absolute discretion, shall determine the effect of all matters and questions relating to Termination of Employment, including, but not by way of limitation, the question of whether a Termination of Employment resulted from a discharge for Cause, and all questions of whether a particular leave of absence constitutes a Termination of Employment; provided, however, that, with respect to Incentive Stock Options unless otherwise determined by the Committee in its discretion, a leave of absence, change in status from an employee to an independent contractor or other change in the employee-employer relationship shall constitute a Termination of Employment if, and to the extent that, such leave of absence, change in status or other change interrupts employment for the purposes of Section 422(a)(2) of the Code and the then applicable regulations and revenue rulings under said Section. Notwithstanding any other provision of this Plan, the Company, a Company Subsidiary, the Investment Management Company, an Investment Management Company Subsidiary, the Partnership or a Partnership Subsidiary has an absolute and unrestricted right to terminate an Employee's employment at any time for any reason whatsoever, with or without Cause, except to the extent expressly provided otherwise in writing.

ARTICLE II.
SHARES SUBJECT TO PLAN

2.1. Shares Subject to Plan.

(a) The shares of stock subject to Options, awards of Restricted Stock, Performance Awards, Dividend Equivalents, awards of Deferred Stock, Stock Payments or Stock Appreciation Rights shall be shares of Common Stock. The aggregate number of such shares which may be issued upon exercise of such Options or rights or upon any such awards under the Plan shall not exceed Eight Million Nine Hundred Fifty Thousand (8,950,000). The shares of Common Stock issuable upon exercise of such Options or rights or upon any such awards may be either previously authorized but unissued shares or treasury shares.

(b) The maximum number of shares which may be subject to Options, awards of Restricted Stock, Performance Awards, Dividend Equivalents, awards of Deferred Stock,

Stock Payments or Stock Appreciation Rights granted under the Plan to any individual in any calendar year shall not exceed the Award Limit.

2.2. Add-back of Options and Other Rights. If any Option, or other right to acquire shares of Common Stock under any other award under this Plan, expires or is canceled without having been fully exercised, or is exercised in whole or in part for cash as permitted by this Plan, the number of shares subject to such Option or other right but as to which such Option or other right was not exercised prior to its expiration, cancellation or exercise may again be optioned, granted or awarded hereunder, subject to the limitations of Section 2.1. Furthermore, any shares subject to Options or other awards which

are adjusted pursuant to Section 10.3 and become exercisable with respect to shares of stock of another corporation shall be considered canceled and may again be optioned, granted or awarded hereunder, subject to the limitations of Section 2.1. Shares of Common Stock which are delivered by the Optionee or Grantee or withheld by the Company upon the exercise of any Option or other award under this Plan, in payment of the exercise price thereof, may again be optioned, granted or awarded hereunder, subject to the limitations of Section 2.1. If any share of Restricted Stock is forfeited by the Grantee or repurchased by the Company pursuant to Section 6.6 hereof, such share may again be optioned, granted or awarded hereunder, subject to the limitations of Section 2.1. Notwithstanding the provisions of this Section 2.2, no shares of Common Stock may again be optioned, granted or awarded if such action would cause an Incentive Stock Option to fail to qualify as an incentive stock option under Section 422 of the Code.

ARTICLE III.
GRANTING OF OPTIONS

3.1. Eligibility. Any Employee, consultant or Non-Employee Director selected by the Committee pursuant to Section 3.4(a)(i) shall be eligible to be granted an Option. Independent Directors of the Company shall be eligible to be granted Options at the times and in the manner set forth in Section 3.4(d).

3.2. Disqualification for Stock Ownership. No person may be granted an Incentive Stock Option under this Plan if such person, at the time the Incentive Stock Option is granted, owns stock possessing more than ten percent (10%) of the total combined voting power of all classes of stock of the Company or any then existing Subsidiary or parent corporation (within the meaning of Section 422 of the Code) unless such Incentive Stock Option conforms to the applicable provisions of Section 422 of the Code.

3.3. Qualification of Incentive Stock Options. No Incentive Stock Option shall be granted to any person who is not an Employee, or to any Employee of a Subsidiary which does not constitute a "subsidiary corporation" within Section 424(f) of the Code.

3.4. Granting of Options

(a) The Committee shall from time to time, in its absolute discretion, and subject to applicable limitations of this Plan:

(i) Determine which Employees are key Employees and select from among the key Employees, consultants and Non-Employee Directors (including Employees, consultants and Non-Employee Directors who have previously received Options or other awards under this Plan) such of them as in its opinion should be granted Options;

(ii) Subject to the Award Limit, determine the number of shares to be subject to such Options granted to the selected key Employees or consultants;

(iii) Subject to Section 3.3, determine whether such Options are to be Incentive Stock Options or Non-Qualified Stock Options and whether such Options are to qualify as performance-based compensation as described in Section 162(m)(4)(C) of the Code; and

(iv) Determine the terms and conditions of such Options, consistent with this Plan; provided, however, that the terms and conditions of Options intended to qualify as performance-based compensation as described in Section 162(m)(4)(C) of the Code shall include, but not be limited to, such terms and conditions as may be necessary to meet the applicable provisions of Section 162(m) of the Code.

(b) Upon the selection of a key Employee or consultant to be granted an Option, the Committee shall instruct the Secretary of the Company to issue the Option and may impose such conditions on the grant of the Option as it deems appropriate.

(c) Any Incentive Stock Option granted under this Plan may be modified by the Committee, with the consent of the Optionee, to disqualify such Option from treatment as an "incentive stock option" under Section 422 of the Code.

(d) During the term of the Plan, each person who is named as an Independent Director in the Company's registration statement in connection with the Company's initial public offering of its Common Stock (an "Initial Independent Director") as of the date upon which such Independent Director's term as a director commences, automatically shall be granted (i) an Option to purchase twenty-six thousand two hundred fifty (26,250) shares of Common Stock

(subject to adjustment as provided in Section 10.3) on the date of such initial public offering and (ii) an Option to purchase fifteen thousand (15,000) shares of Common Stock (subject to adjustment as provided in Section 10.3) on the date of each annual meeting of stockholders after such initial public offering at which the Independent Director is reelected to the Board commencing with the annual meeting to be held in 1999. During the term of the Plan, a person, other than an Initial Independent Director, who is initially elected to the Board after the consummation of the initial public offering of Common Stock and who is an Independent Director at the time of such initial election automatically shall be granted (i) an Option to purchase twenty thousand (20,000) shares of Common Stock (subject to adjustment as provided in Section 10.3) on the date of such initial election and (ii) an Option to purchase fifteen thousand (15,000) shares of Common Stock (subject to adjustment as provided in Section 10.3) on the date of each annual meeting of stockholders after such initial election at which the

Independent Director is reelected to the Board. Members of the Board who are employees of the Company who subsequently retire from the Company and remain on the Board will not receive an initial Option grant pursuant to clause (i) of the preceding sentence, but to the extent that they are otherwise eligible, will receive, after retirement from employment with the Company, Options as described in clause (ii) of the preceding sentence. All the foregoing Option grants authorized by this Section 3.4(d) are subject to stockholder approval of the Plan.

ARTICLE IV.
TERMS OF OPTIONS

4.1. Option Agreement. Each Option shall be evidenced by a written Stock Option Agreement, which shall be executed by the Optionee and an authorized officer of the Company and which shall contain such terms and conditions as the Committee (or the Board, in the case of Options granted to Independent Directors) shall determine, consistent with this Plan. Stock Option Agreements evidencing Options intended to qualify as performance-based compensation as described in Section 162(m)(4)(C) of the Code shall contain such terms and conditions as may be necessary to meet the applicable provisions of Section 162(m) of the Code. Stock Option Agreements evidencing Incentive Stock Options shall contain such terms and conditions as may be necessary to meet the applicable provisions of Section 422 of the Code.

4.2. Option Price. The price per share of the shares subject to each Option shall be set by the Committee; provided, however, that (i) in the case of Incentive Stock Options such price shall not be less than 100% of the Fair Market Value of a share of Common Stock on the date the Option is granted (or the date the Option is modified, extended or renewed for purposes of Section 424(h) of the Code); (ii) in the case of Incentive Stock Options granted to an individual then owning (within the meaning of Section 424(d) of the Code) more than 10% of the total combined voting power of all classes of stock of the Company or any Subsidiary or parent corporation thereof (within the meaning of Section 422 of the Code), such price shall not be less than 110% of the Fair Market Value of a share of Common Stock on the date the Option is granted (or the date the Option is modified, extended or renewed for purposes of Section 424(h) of the Code); (iii) in the case of Options granted to Independent Directors, such price shall equal 100% of the Fair Market Value of a share of Common Stock on the date the Option is granted; provided, however, that the price of each share subject to each Option granted to Initial Independent Directors pursuant to Section 3.4(d) hereof shall equal the initial public offering price per share of Common Stock; and (iv) in the case of all other Options granted, such price shall be not less than 100% of the Fair Market Value of a share of Common Stock on the date the Option is granted. Notwithstanding any other provision of this Plan to the contrary, the Committee shall not have the authority to amend the terms of any outstanding Option to reduce its exercise price.

4.3. Option Term. The term of an Option shall be set by the Committee in its discretion; provided, however, that, (i) no Option shall be granted with a term of more than ten (10) years from the date the Option is granted, (ii) in the case of Options granted to Independent Directors, the term shall be ten (10) years from the date the Option is granted, and (iii) in the case of Incentive Stock Options, the term shall not be more than five (5) years from the date the

Incentive Stock Option is granted, if the Incentive Stock Option is granted to an individual then owning (within the meaning of Section 424(d) of the Code) more than 10% of the total combined voting power of all classes of stock of the Company or any Subsidiary or parent corporation thereof (within the meaning of Section 422 of the Code). Except as limited by requirements of Section 422 of the Code and regulations and rulings thereunder applicable to Incentive Stock

Options, the Committee may extend the term of any outstanding Option in connection with any Termination of Employment or Termination of Consultancy of the Optionee, or amend any other term or condition of such Option relating to such a termination.

4.4. Option Vesting

(a) The period during which the right to exercise an Option in whole or in part vests in the Optionee shall be set by the Committee and the Committee may determine that an Option may not be exercised in whole or in part for a specified period after it is granted; provided, however, that, unless the Committee otherwise provides in the terms of the Option or otherwise, no Option shall be exercisable by any Optionee who is then subject to Section 16 of the Exchange Act within the period ending six months and one day after the date the Option is granted; and provided, further, that, unless the Board otherwise provides in the terms of the Options or otherwise, Options granted to Independent Directors shall become fully exercisable on first anniversary of the date of Option grant, except as provided in Section 10.3(b). At any time after grant of an Option, the Committee may, in its sole and absolute discretion and subject to whatever terms and conditions it selects, accelerate the period during which an Option (except an Option granted to an Independent Director) vests.

(b) No portion of an Option which is unexercisable at Termination of Employment, Termination of Directorship or Termination of Consultancy, as applicable, shall thereafter become exercisable, except as may be otherwise provided by the Committee in the case of Options granted to Employees or consultants either in the Stock Option Agreement or by action of the Committee following the grant of the Option.

(c) To the extent that the aggregate Fair Market Value of stock with respect to which "incentive stock options" (within the meaning of Section 422 of the Code, but without regard to Section 422(d) of the Code) are exercisable for the first time by an Optionee during any calendar year (under the Plan and all other incentive stock option plans of the Company and any parent or subsidiary corporation (within the meaning of Section 422 of the Code) of the Company) exceeds $100,000, such Options shall be treated as Non-Qualified Options to the extent required by Section 422 of the Code. The rule set forth in the preceding sentence shall be applied by taking Options into account in the order in which they were granted. For purposes of this Section 4.4(c), the Fair Market Value of stock shall be determined as of the time the Option with respect to such stock is granted.

4.5. Consideration. In consideration of the granting of an Option, the Optionee shall agree, in the written Stock Option Agreement, to remain in the employ of (or to consult for or to serve as an Independent Director of, as applicable) the Company, a Company Subsidiary, the Investment Management Company, an Investment Management Company Subsidiary, the

Partnership or a Partnership Subsidiary for a period of at least one year (or such shorter period as may be fixed in the Stock Option Agreement or by action of the Committee following grant of the Option) after the Option is granted (or, in the case of an Independent Director, until the next annual meeting of stockholders of the Company). Nothing in this Plan or in any Stock Option Agreement hereunder shall (i) confer upon any Optionee any right to (a) continue in the employ of, or as a consultant for, the Company, a Company Subsidiary, the Investment Management Company, an Investment Management Company Subsidiary, the Partnership or a Partnership Subsidiary, or as a Director, or (b) receive any severance pay from the Company, a Company Subsidiary, the Investment Management Company, an Investment Management Company Subsidiary, the Partnership or a Partnership Subsidiary or (ii) interfere with or restrict in any way the rights of the Company, a Company Subsidiary, the Investment Management Company, an Investment Management Company Subsidiary, the Partnership or a Partnership Subsidiary, which are hereby expressly reserved, to discharge any Optionee at any time for any reason whatsoever, with or without Cause.

ARTICLE V.
EXERCISE OF OPTIONS

5.1. Partial Exercise. An exercisable Option may be exercised in whole or in part. However, an Option shall not be exercisable with respect to fractional shares and the Committee (or the Board, in the case of Options granted to Independent Directors) may require that, by the terms of the Option, a partial exercise be with respect to a minimum number of shares.

5.2. Manner of Exercise. All or a portion of an exercisable Option shall be deemed exercised upon delivery of all of the following to the Secretary of the Company (or such other officer as identified in the applicable Stock Option Agreement):

(a) A written notice complying with the applicable rules

established by the Committee (or the Board, in the case of Options granted to Independent Directors) stating that the Option, or a portion thereof, is exercised. The notice shall be signed by the Optionee or other person then entitled to exercise the Option or such portion of the Option;

(b) Such representations and documents as the Committee (or the Board, in the case of Options granted to Independent Directors), in its absolute discretion, deems necessary or advisable to effect compliance with all applicable provisions of the Securities Act of 1933, as amended, and any other federal or state securities laws or regulations. The Committee or Board may, in its absolute discretion, also take whatever additional actions it deems appropriate to effect such compliance including, without limitation, placing legends on share certificates and issuing stop-transfer notices to agents and registrars;

(c) In the event that the Option shall be exercised pursuant to Section 10.1 by any person or persons other than the Optionee, appropriate proof of the right of such person or persons to exercise the Option; and

(d) Full cash payment to the Secretary of the Company for the shares with respect to which the Option, or portion thereof, is exercised. However, the Committee (or the Board, in the case of Options granted to Independent Directors), may in its discretion (i) allow a delay in payment up to thirty (30) days from the date the Option, or portion thereof, is exercised; (ii) allow payment, in whole or in part, through the delivery of shares of Common Stock owned by the Optionee, duly endorsed for transfer to the Company with a Fair Market Value on the date of delivery equal to the aggregate exercise price of the Option or exercised portion thereof; (iii) allow payment, in whole or in part, through the surrender of shares of Common Stock then issuable upon exercise of the Option having a Fair Market Value on the date of Option exercise equal to the aggregate exercise price of the Option or exercised portion thereof; (iv) allow payment, in whole or in part, through the delivery of a full recourse promissory note bearing interest (at no less than such rate as shall then preclude the imputation of interest under the Code) and payable upon such terms as may be prescribed by the Committee or the Board; or (v) allow payment through any combination of the consideration provided in the foregoing subparagraphs (ii), (iii) and (iv). In the case of a promissory note, the Committee (or the Board, in the case of Options granted to Independent Directors) may also prescribe the form of such note and the security to be given for such note. The Option may not be exercised, however, by delivery of a promissory note or by a loan from the Company when or where such loan or other extension of credit is prohibited by law.

5.3. Transfer of Shares to a Company Employee, Consultant or Independent Director. As soon as practicable after receipt by the Company, pursuant to Section 5.2(d), of payment for the shares with respect to which an Option (which in the case of a Company Employee, consultant or Independent Director was issued to and is held by such Optionee in such capacity), or portion thereof, is exercised by an Optionee who is a Company Employee, Independent Director or a consultant to the Company, with respect to each such exercise, the Company shall transfer to the Optionee the number of shares equal to

(a) The amount of the payment made by the Optionee to the Company pursuant to Section 5.2(d), divided by

(b) The price per share of the shares subject to the Option as determined pursuant to Section 4.2.

5.4. Transfer of Shares to a Partnership Employee, Consultant or Independent Director. (a)At the time that an Optionee who is an Employee, Independent Director or consultant of the Partnership or a Partnership Subsidiary exercises all or any part of an Option pursuant to the terms of this Plan, such Optionee shall remit to the Partnership or the Partnership Subsidiary, as the case may be, an amount equal to the product of the exercise price per share of such Option and the number of shares with respect to such Option being exercised by such Optionee.

(b) As soon as practicable after receipt by the Operating Partnership of a notice of the exercise of shares with respect to which an Option (which was issued to and is held by a Partnership Employee, consultant or Independent Director in such capacity), or portion

thereof, is exercised by an Optionee who is a Partnership Employee, Independent Director or consultant, with respect to each such exercise the Company shall sell to the Partnership, or the Partnership Subsidiary in the case of an Optionee who is an Employee, consultant or Independent Director of Partnership

Subsidiary, the number of shares (the "Partnership Purchased Shares") equal to the number of shares subject to such exercise by such Optionee at a purchase price equal to the Fair Market Value of a share of Common Stock at the time of the exercise (the "Partnership Purchase Price");

(c) As soon as practicable after receipt of the Partnership Purchased Shares by the Partnership, or the Partnership Subsidiary in the case of an Optionee who is an Employee, Independent Director or consultant of a Partnership Subsidiary, the Partnership or the Partnership Subsidiary, as the case may be, shall transfer such shares to the Optionee at no additional cost.

5.5. Transfer of Shares to an Investment Management Company Employee, Consultant or Independent Director. (a) At the time that an Optionee who is an Employee, Independent Director or consultant of the Investment Management Company or an Investment Management Company Subsidiary exercises all or any part of an Option pursuant to the terms of this Plan, such Optionee shall remit to the Investment Management Company or the Investment Management Company Subsidiary, as the case may be, an amount equal to the product of the exercise price per share of such Option and the number of shares with respect to such Option being exercised by such Optionee.

(b) As soon as practicable after receipt by the Investment Management Company, of a notice of the exercise of shares with respect to which an Option (which in the case of an Investment Management Company Employee, consultant or Independent Director was issued to and is held by such Optionee in such capacity), or portion thereof, is exercised by an Optionee who is an Investment Management Company Employee, an Investment Management Company Independent Director or consultant, with respect to each such exercise the Company shall sell to the Investment Management Company, or the Investment Management Company Subsidiary in the case of an Optionee who is an Employee, consultant or Independent Director of an Investment Management Company Subsidiary, the number of shares (the "Investment Management Company Purchased Shares") equal to the number of shares subject to such exercise by such Optionee at a purchase price equal to the Fair Market Value of a share of Common Stock at the time of the exercise (the "Investment Management Company Purchase Price");

(c) As soon as practicable after receipt of the Investment Management Company Purchased Shares by the Investment Management Company, or the Investment Management Company Subsidiary in the case of an Optionee who is an Employee, Independent Director or consultant of a Investment Management Company Subsidiary, the Investment Management Company or such Investment Management Company Subsidiary, as the case may be, shall transfer such shares to the Optionee at no additional cost.

5.6. Transfer of Payment to the Partnership. As soon as practicable after receipt by the Company of the amount described in Section 5.2(d), 5.4(b) and 5.5(b) the

Company shall contribute to the Partnership an amount of cash equal to such payment and the Partnership shall issue an additional interest in the Partnership on the terms set forth in the Partnership Agreement.

5.7. Conditions to Issuance of Stock Certificates. The Company shall not be required to issue or deliver any certificate or certificates for shares of stock purchased upon the exercise of any Option or portion thereof prior to fulfillment of all of the following conditions:

(a) The admission of such shares to listing on all stock exchanges on which such class of stock is then listed;

(b) The completion of any registration or other qualification of such shares under any state or federal law, or under the rulings or regulations of the Securities and Exchange Commission or any other governmental regulatory body which the Committee or Board shall, in its absolute discretion, deem necessary or advisable;

(c) The obtaining of any approval or other clearance from any state or federal governmental agency which the Committee (or Board, in the case of Options granted to Independent Directors) shall, in its absolute discretion, determine to be necessary or advisable;

(d) The lapse of such reasonable period of time following the exercise of the Option as the Committee (or Board, in the case of Options granted to Independent Directors) may establish from time to time for reasons of administrative convenience; and

(e) The receipt by the Company of full payment for such shares, including payment of any applicable withholding tax.

5.8. Rights as Stockholders. The holders of Options shall not be, nor have any of the rights or privileges of, stockholders of the Company in

respect of any shares purchasable upon the exercise of any part of an Option unless and until certificates representing such shares have been issued by the Company to such holders.

5.9. Ownership and Transfer Restrictions. The Committee (or Board, in the case of Options granted to Independent Directors), in its absolute discretion, may impose such restrictions on the ownership and transferability of the shares purchasable upon the exercise of an Option as it deems appropriate. Any such restriction shall be set forth in the respective Stock Option Agreement and may be referred to on the certificates evidencing such shares. The Committee may require the Employee to give the Company prompt notice of any disposition of shares of Common Stock acquired by exercise of an Incentive Stock Option within (i) two years from the date of granting (including the date the Option is modified, extended or renewed for purposes of Section 424(h) of the Code) such Option to such Employee or (ii) one year after the transfer of such shares to such Employee. The Committee may direct that the certificates evidencing shares acquired by exercise of an Option refer to such requirement to give prompt notice of disposition.

5.10. Limitations on Exercise of Options Granted to an Optionee. The Committee (or the Board, in the case of Options granted to Independent Directors), in its absolute discretion, may impose such limitations and restrictions on the exercise of Options as it deems appropriate. Any such limitation shall be set forth in the respective Stock Option Agreement. Notwithstanding the foregoing, an Option is not exercisable if in the sole and absolute discretion of the Committee the exercise of such Option would likely result in any of the following:

(a) the Optionee's or any other person's ownership of capital stock being in violation of the Stock Ownership Limit (as defined in the Company's Articles of Incorporation); or

(b) income to the Company that could impair the Company's status as a real estate investment trust, within the meaning of Sections 856 through 860 of the Code.

ARTICLE VI.
AWARD OF RESTRICTED STOCK

6.1. Eligibility. Subject to the Award Limit, Restricted Stock may be awarded to any Employee who the Committee determines is a key Employee or any Director or consultant whom the Committee determines should receive such an award.

6.2. Award of Restricted Stock

(a) The Committee may from time to time, in its absolute discretion:

(i) Determine which Employees are key Employees and select from among the key Employees, Directors or consultants (including Employees, Directors or consultants who have previously received other awards under this Plan) such of them as in its opinion should be awarded Restricted Stock; and

(ii) Determine the purchase price, if any, and other terms and conditions (including, without limitation, in the case of awards to Employees, consultants or Independent Directors of the Partnership, any Partnership Subsidiary, the Investment Management Company or any Investment Management Company Subsidiary, the mechanism for the transfer of the Restricted Stock and payment therefor and, in the case of the repurchase of shares of Restricted Stock subject to restrictions in effect at the time of the Termination of Employment, Directorship or Consultancy of such Employee, Director or consultant, as the case may be) applicable to such Restricted Stock, consistent with this Plan.

(b) The Committee shall establish the purchase price, if any, and form of payment for Restricted Stock; provided, however, that such purchase price shall be no less than the par value of the Common Stock to be purchased, unless otherwise permitted by applicable state law. In all cases, legal consideration shall be required for each issuance of Restricted Stock.

(c) Upon the selection of a key Employee or consultant to be awarded Restricted Stock, the Committee shall instruct the Secretary of the Company to issue such Restricted Stock and may impose such conditions on the issuance of such Restricted Stock as it deems appropriate.

6.3. Restricted Stock Agreement. Restricted Stock shall be issued only pursuant to a written Restricted Stock Agreement, which shall be executed by the selected key Employee or consultant and an authorized officer of the Company and which shall contain such terms and conditions as the Committee shall determine, consistent with this Plan.

6.4. Consideration. As consideration for the issuance of Restricted Stock, in addition to payment of any purchase price, the Restricted Stockholder shall agree, in the written Restricted Stock Agreement, to remain in the employ of, or to consult for, the Company, a Company Subsidiary, the Investment Management Company, an Investment Management Company Subsidiary, the Partnership or a Partnership Subsidiary for a period of at least one year after the Restricted Stock is issued (or such shorter period as may be fixed in the Restricted Stock Agreement or by action of the Committee following grant of the Restricted Stock) or, in the case of a Director, complete the remainder of such Director's elected term. Nothing in this Plan or in any Restricted Stock Agreement hereunder shall (i) confer on any Restricted Stockholder any right to (a) continue in the employ of, as a Director of or as a consultant for, the Company, a Company Subsidiary, the Investment Management Company, an Investment Management Company Subsidiary, the Partnership or a Partnership Subsidiary or (b) receive any severance pay from the Company, a Company Subsidiary, the Investment Management Company, an Investment Management Company Subsidiary, the Partnership or a Partnership Subsidiary or (ii) interfere with or restrict in any way the rights of the Company, a Company Subsidiary, the Investment Management Company, an Investment Management Company Subsidiary, the Partnership or a Partnership Subsidiary, which are hereby expressly reserved, to discharge the Employee or consultant at any time for any reason whatsoever, with or without Cause, or any Director pursuant to the Company's bylaws.

6.5. Rights as Stockholders. Subject to Section 6.6, upon delivery of the shares of Restricted Stock to the escrow holder pursuant to Section 6.8, the Restricted Stockholder shall have, unless otherwise provided by the Committee, all the rights of a stockholder with respect to said shares, subject to the restrictions in his Restricted Stock Agreement, including the right to receive all dividends and other distributions paid or made with respect to the shares; provided, however, that in the discretion of the Committee, any extraordinary distributions with respect to the Common Stock shall be subject to the restrictions set forth in Section 6.6.

6.6. Restriction. All shares of Restricted Stock issued under this Plan (including any shares received by holders thereof with respect to shares of Restricted Stock as a result of stock dividends, stock splits or any other form of recapitalization) shall, in the terms of each individual Restricted Stock Agreement, be subject to such restrictions as the Committee shall provide, which restrictions may include, without limitation, restrictions concerning voting rights and transferability and restrictions based on duration of employment with the Company, Company performance and individual performance; provided, however, that, unless the

Committee otherwise provides in the terms of the Restricted Stock Agreement or otherwise, no share of Restricted Stock granted to a person subject to Section 16 of the Exchange Act shall be sold, assigned or otherwise transferred until at least six months and one day have elapsed from the date on which the Restricted Stock was issued, and provided, further, that, except with respect to shares of Restricted Stock granted pursuant to Section 6.10, by action taken after the Restricted Stock is issued, the Committee may, on such terms and conditions as it may determine to be appropriate, remove any or all of the restrictions imposed by the terms of the Restricted Stock Agreement. Restricted Stock may not be sold or encumbered until all restrictions are terminated or expire. If no consideration was paid by the Restricted Stockholder upon issuance, a Restricted Stockholder's rights in unvested Restricted Stock shall lapse upon a Termination of Employment or, if applicable, upon a Termination of Directorship or a Termination of Consultancy; provided, however, that the Committee in its sole and absolute discretion may provide that such rights shall not lapse in the event of a Termination of Employment or Termination of Directorship following a "change of ownership control" (within the meaning of Treasury Regulation Section 1.62-27(e)(2)(v) or any successor regulation thereto) of the Company or because of the Restricted Stockholder's death or disability.

6.7. Repurchase of Restricted Stock. The Committee shall provide in the terms of each individual Restricted Stock Agreement that the Company shall have the right to repurchase from the Restricted Stockholder the Restricted Stock then subject to restrictions under the Restricted Stock Agreement immediately upon a Termination of Employment or, if applicable, upon a Termination of Director or a Termination of Consultancy, at a cash price per share equal to the price paid by the Restricted Stockholder for such Restricted Stock; provided, however, that the Committee in its sole and absolute discretion may provide that no such right of repurchase shall exist in the event of a Termination of Employment, Termination of Directorship or Termination of Consultancy following a "change of ownership or control" (within the meaning of Treasury Regulation Section 1.162-27(e)(2)(v) or any successor regulation

thereto) of the Company or because of the Restricted Stockholder's death or disability; provided, further, that, except with respect to shares of Restricted Stock granted pursuant to Section 6.10, the Committee in its sole and absolute discretion may provide that no such right of repurchase shall exist in the event of a Termination of Employment, Termination of Directorship or a Termination of Consultancy without Cause, following any change in control or ownership of the Company, because of the Restricted Stockholder's retirement, or otherwise.

6.8. Escrow. The Secretary of the Company or such other escrow holder as the Committee may appoint shall retain physical custody of each certificate representing Restricted Stock until all of the restrictions imposed under the Restricted Stock Agreement with respect to the shares evidenced by such certificate expire or shall have been removed.

6.9. Legend. In order to enforce the restrictions imposed upon shares of Restricted Stock hereunder, the Committee shall cause a legend or legends to be placed on certificates representing all shares of Restricted Stock that are still subject to restrictions under Restricted Stock Agreements, which legend or legends shall make appropriate reference to the conditions imposed thereby.

6.10. Provisions Applicable to Section 162(m) Participants.

(a) Notwithstanding anything in the Plan to the contrary, the Committee may grant Restricted Stock to a Section 162(m) Participant the restrictions with respect to which lapse upon the attainment of performance goals for the Company which are related to one or more of the following business criteria: (i) pre-tax income, (ii) operating income, (iii) cash flow, (iv) earnings per share, (v) return on equity, (vi) return on invested capital or assets, (vii) cost reductions or savings, (viii) funds from operations, (ix) appreciation in the fair market value of Common Stock and (x) earnings before any one or more of the following items: interest, taxes, depreciation or amortization.

(b) To the extent necessary to comply with the performance-based compensation requirements of Section 162(m)(4)(C) of the Code, with respect to Restricted Stock which may be granted to one or more Section 162(m) Participants, no later than ninety (90) days following the commencement of any fiscal year in question or any other designated fiscal period or period of service (or such other time as may be required or permitted by Section 162(m) of the Code), the Committee shall, in writing, (i) designate one or more Section 162(m) Participants, (ii) select the performance goal or goals applicable to the fiscal year or other designated fiscal period or period of service, (iii) establish the various targets and amounts of Restricted Stock which may be earned for such fiscal year or other designated fiscal period or period of service and (iv) specify the relationship between performance goals and targets and the amounts of Restricted Stock to be earned by each Section 162(m) Participant for such fiscal year or other designated fiscal period or period of service. Following the completion of each fiscal year or other designated fiscal period or period of service, the Committee shall certify in writing whether the applicable performance targets have been achieved for such fiscal year or other designated fiscal period or period of service. In determining the amount earned by a Section 162(m) Participant, the Committee shall have the right to reduce (but not to increase) the amount payable at a given level of performance to take into account additional factors that the Committee may deem relevant to the assessment of individual or corporate performance for the fiscal year or other designated fiscal period or period of service.

ARTICLE VII.

PERFORMANCE AWARDS, DIVIDEND EQUIVALENTS, DEFERRED STOCK, STOCK PAYMENTS

7.1. Eligibility. Subject to the Award Limit, one or more Performance Awards, Dividend Equivalents, awards of Deferred Stock, and/or Stock Payments may be granted to any Employee whom the Committee determines is a key Employee or any consultant or Independent Director whom the Committee determines should receive such an award.

7.2. Performance Awards. Any key Employee, consultant or Independent Director selected by the Committee may be granted one or more Performance Awards. The value of such Performance Awards may be linked to the market value, book value, net profits or other measure of the value of Common Stock or other specific performance criteria determined

appropriate by the Committee, in each case on a specified date or dates or over any period or periods determined by the Committee, or may be based upon the

appreciation in the market value, book value, net profits or other measure of the value of a specified number of shares of Common Stock over a fixed period or periods determined by the Committee. In making such determinations, the Committee shall consider (among such other factors as it deems relevant in light of the specific type of award) the contributions, responsibilities and other compensation of the particular key Employee or consultant.

7.3. Dividend Equivalents. Any key Employee, consultant or Independent Director selected by the Committee may be granted Dividend Equivalents based on the dividends declared on Common Stock, to be credited as of dividend payment dates, during the period between the date an Option, Stock Appreciation Right, Deferred Stock or Performance Award is granted, and the date such Option, Stock Appreciation Right, Deferred Stock or Performance Award is exercised, vests or expires, as determined by the Committee. Such Dividend Equivalents shall be converted to cash or additional shares of Common Stock by such formula and at such time and subject to such limitations as may be determined by the Committee. With respect to Dividend Equivalents granted with respect to Options intended to be qualified performance-based compensation for purposes of Section 162(m) of the Code, such Dividend Equivalents shall be payable regardless of whether such Option is exercised.

7.4. Stock Payments. Any key Employee, consultant or Independent Director selected by the Committee may receive Stock Payments in the manner determined from time to time by the Committee. The number of shares shall be determined by the Committee and may be based upon the Fair Market Value, book value, net profits or other measure of the value of Common Stock or other specific performance criteria determined appropriate by the Committee, determined on the date such Stock Payment is made or on any date thereafter.

7.5. Deferred Stock. Any key Employee, consultant or Independent Director selected by the Committee may be granted an award of Deferred Stock in the manner determined from time to time by the Committee. The number of shares of Deferred Stock shall be determined by the Committee and may be linked to the market value, book value, net profits or other measure of the value of Common Stock or other specific performance criteria determined to be appropriate by the Committee, in each case on a specified date or dates or over any period or periods determined by the Committee. Common Stock underlying a Deferred Stock award will not be issued until the Deferred Stock award has vested, pursuant to a vesting schedule or performance criteria set by the Committee. Unless otherwise provided by the Committee, a Grantee of Deferred Stock shall have no rights as a Company stockholder with respect to such Deferred Stock until such time as the award has vested and the Common Stock underlying the award has been issued.

7.6. Performance Award Agreement, Dividend Equivalent Agreement, Deferred Stock Agreement, Stock Payment Agreement. Each Performance Award, Dividend Equivalent, award of Deferred Stock and/or Stock Payment shall be evidenced by a written agreement, which shall be executed by the Grantee and an authorized Officer of the Company and which shall contain such terms and conditions (including, without limitation, in the case of

awards to Employees, consultants or Independent Directors of the Partnership, any Partnership Subsidiary, the Investment Management Company or any Investment Management Company Subsidiary, the mechanism for the transfer or rights under such awards) as the Committee shall determine, consistent with this Plan.

7.7. Term. The term of a Performance Award, Dividend Equivalent, award of Deferred Stock and/or Stock Payment shall be set by the Committee in its discretion.

7.8. Exercise or Purchase Price. The Committee may establish the exercise or purchase price of a Performance Award, shares of Deferred Stock, or shares received as a Stock Payment; provided, however, that such price shall not be less than the par value for a share of Common Stock, unless otherwise permitted by applicable state law.

7.9. Exercise Upon Termination of Employment. A Performance Award, Dividend Equivalent, award of Deferred Stock and/or Stock Payment is exercisable or payable only while the Grantee is an Employee or consultant; provided, however, that the Committee in its sole and absolute discretion may provide that the Performance Award, Dividend Equivalent, award of Deferred Stock and/or Stock Payment may be exercised or paid subsequent to a Termination of Employment following a "change of control or ownership" (within the meaning of Section 1.162-27(e)(2)(v) or any successor regulation thereto) of the Company; provided, further, that except with respect to Performance Awards granted pursuant to Section 7.12, the Committee in its sole and absolute discretion may provide that the Performance Awards may be exercised or paid following a Termination of Employment or a Termination of Consultancy without cause, or following a change in control of the Company, or because of the Grantee's retirement, death or disability, or otherwise.

7.10. Payment on Exercise. Payment of the amount determined under Section 7.1 or 7.2 above shall be in cash, in Common Stock or a combination of both, as determined by the Committee. To the extent any payment under this Article VII is effected in Common Stock, it shall be made subject to satisfaction of all provisions of Section 5.3.

7.11. Consideration. In consideration of the granting of a Performance Award, Dividend Equivalent, award of Deferred Stock and/or Stock Payment, the Grantee shall agree, in a written agreement, to remain in the employ of, or to consult for, the Company, a Company Subsidiary, the Investment Management Company, an Investment Management Company Subsidiary, the Partnership or a Partnership Subsidiary for a period of at least one year after such Performance Award, Dividend Equivalent, award of Deferred Stock and/or Stock Payment is granted (or such shorter period as may be fixed in such agreement or by action of the Committee following such grant). Nothing in this Plan or in any agreement hereunder shall (i) confer on any Grantee any right to (a) continue in the employ of, or as a consultant for, the Company, a Company Subsidiary, the Investment Management Company, an Investment Management Company Subsidiary, the Partnership or a Partnership Subsidiary or (b) receive any severance pay from the Company, a Company Subsidiary, the

Investment Management Company, an Investment Management Company Subsidiary, the Partnership or a Partnership Subsidiary or (ii) interfere with or restrict in any way the rights of the Company, a Company Subsidiary, the Investment Management Company, an Investment Management Company Subsidiary, the Partnership or a Partnership Subsidiary, which are hereby expressly reserved, to discharge any Grantee at any time for any reason whatsoever, with or without Cause.

7.12. Provisions Applicable to Section 162(m) Participants.

(a) Notwithstanding anything in the Plan to the contrary, the Committee may grant any performance or incentive awards described in Article VII to a Section 162(m) Participant that vest or become exercisable or payable upon the attainment of performance goals for the Company which are related to one or more of the following business criteria: (i) pre-tax income, (ii) operating income, (iii) cash flow, (iv) earnings per share, (v) return on equity, (vi) return on invested capital or assets, (vii) cost reductions or savings, (viii) funds from operations, (ix) appreciation in the fair market value of Common Stock and (x) earnings before any one or more of the following items: interest, taxes, depreciation or amortization.

(b) To the extent necessary to comply with the performance-based compensation requirements of Section 162(m)(4)(C) of the Code, with respect to performance or incentive awards described in Article VII which may be granted to one or more Section 162(m) Participants, no later than ninety (90) days following the commencement of any fiscal year in question or any other designated fiscal period or period of service (or such other time as may be required or permitted by Section 162(m) of the Code), the Committee shall, in writing, (i) designate one or more Section 162(m) Participants, (ii) select the performance goal or goals applicable to the fiscal year or other designated fiscal period or period of service, (iii) establish the various targets and bonus amounts which may be earned for such fiscal year or other designated fiscal period or period of service and (iv) specify the relationship between performance goals and targets and the amounts to be earned by each Section 162(m) Participant for such fiscal year or other designated fiscal period or period of service. Following the completion of each fiscal year or other designated fiscal period or period of service, the Committee shall certify in writing whether the applicable performance targets have been achieved for such fiscal year or other designated fiscal period or period of service. In determining the amount earned by a Section 162(m) Participant, the Committee shall have the right to reduce (but not to increase) the amount payable at a given level of performance to take into account additional factors that the Committee may deem relevant to the assessment of individual or corporate performance for the fiscal year or other designated fiscal period or period of service.

ARTICLE VIII.
STOCK APPRECIATION RIGHTS

8.1. Grant of Stock Appreciation Rights. A Stock Appreciation Right may be granted to any key Employee or consultant selected by the Committee. A Stock Appreciation Right may be granted (i) in connection and simultaneously with the grant of an Option, (ii) with respect to a previously granted Option, or (iii) independent of an Option. A Stock Appreciation Right shall be subject to such terms and conditions (including, without limitation, the mechanism for the transfer of rights under such awards) not inconsistent with this Plan as the Committee

shall impose and shall be evidenced by a written Stock Appreciation Right Agreement, which shall be executed by the Grantee and an authorized officer of the Company. The Committee, in its discretion, may determine whether a Stock Appreciation Right is to qualify as performance-based compensation as described in Section 162(m)(4)(C) of the Code and Stock Appreciation Right Agreements evidencing Stock Appreciation Rights intended to so qualify shall contain such terms and conditions as may be necessary to meet the applicable provisions of Section 162(m) of the Code.

8.2. Coupled Stock Appreciation Rights

(a) A Coupled Stock Appreciation Right ("CSAR") shall be related to a particular Option and shall be exercisable only when and to the extent the related Option is exercisable.

(b) A CSAR may be granted to the Grantee for no more than the number of shares subject to the simultaneously or previously granted Option to which it is coupled.

(c) A CSAR shall entitle the Grantee (or other person entitled to exercise the Option pursuant to this Plan) to surrender to the Company unexercised a portion of the Option to which the CSAR relates (to the extent then exercisable pursuant to its terms) and to receive from the Company in exchange therefor an amount determined by multiplying the difference obtained by subtracting the Option exercise price from the Fair Market Value of a share of Common Stock on the date of exercise of the CSAR by the number of shares of Common Stock with respect to which the CSAR shall have been exercised, subject to any limitations the Committee may impose.

8.3. Independent Stock Appreciation Rights

(a) An Independent Stock Appreciation Right ("ISAR") shall be unrelated to any Option and shall have a term set by the Committee. An ISAR shall be exercisable in such installments as the Committee may determine. An ISAR shall cover such number of shares of Common Stock as the Committee may determine; provided, however, that unless the Committee otherwise provides in the terms of the ISAR or otherwise, no ISAR granted to a person subject to Section 16 of the Exchange Act shall be exercisable until at least six months have elapsed from (but excluding) the date on which the Option was granted. The exercise price per share of Common Stock subject to each ISAR shall be set by the Committee. An ISAR is exercisable only while the Grantee is an Employee or consultant; provided that the Committee may determine that the ISAR may be exercised subsequent to Termination of Employment or Termination of Consultancy without cause, or following a change in control of the Company, or because of the Grantee's retirement, death or disability, or otherwise.

(b) An ISAR shall entitle the Grantee (or other person entitled to exercise the ISAR pursuant to this Plan) to exercise all or a specified portion of the ISAR (to the extent then exercisable pursuant to its terms) and to receive from the Company an amount determined by multiplying the difference obtained by subtracting the exercise price per share of the ISAR from

the Fair Market Value of a share of Common Stock on the date of exercise of the ISAR by the number of shares of Common Stock with respect to which the ISAR shall have been exercised, subject to any limitations the Committee may impose.

8.4. Payment and Limitations on Exercise

(a) Payment of the amount determined under Section 8.2(c) and 8.3(b) above shall be in cash, in Common Stock (based on its Fair Market Value as of the date the Stock Appreciation Right is exercised) or a combination of both, as determined by the Committee. To the extent such payment is effected in Common Stock it shall be made subject to satisfaction of all provisions of Section 5.3 above pertaining to Options.

(b) Grantees of Stock Appreciation Rights may be required to comply with any timing or other restrictions with respect to the settlement or exercise of a Stock Appreciation Right, including a window-period limitation, as may be imposed in the discretion of the Board or Committee.

8.5. Consideration. In consideration of the granting of a Stock Appreciation Right, the Grantee shall agree, in the written Stock Appreciation Right Agreement, to remain in the employ of, or to consult for, the Company, a Company Subsidiary, the Investment Management Company, an Investment Management Company Subsidiary, the Partnership or a Partnership Subsidiary for a period of at least one year after the Stock Appreciation Right is granted (or such shorter period as may be fixed in the Stock Appreciation Right Agreement or by action of the Committee following grant of the Restricted Stock). Nothing in this Plan or in any Stock Appreciation Right Agreement hereunder shall (i) confer on any Grantee any right to (a) continue in the employ of, or as a consultant for, the

Company, a Company Subsidiary, the Investment Management Company, an Investment Management Company Subsidiary, the Partnership or a Partnership Subsidiary or (b) receive any severance pay from the Company, a Company Subsidiary, the Investment Management Company, an Investment Management Company Subsidiary, the Partnership or a Partnership Subsidiary or (ii) interfere with or restrict in any way the rights of the Company, a Company Subsidiary, the Investment Management Company, an Investment Management Company Subsidiary, the Partnership or a Partnership Subsidiary, which are hereby expressly reserved, to discharge any Grantee at any time for any reason whatsoever, with or without Cause.

ARTICLE IX.
ADMINISTRATION

9.1. Compensation Committee. Prior to the Company's initial registration of Common Stock under Section 12 of the Exchange Act, the Compensation Committee shall consist of the entire Board. Following such registration, the Compensation Committee (or another committee or a subcommittee of the Board assuming the functions of the Committee under this Plan) shall consist solely of two or more Independent Directors appointed by and holding office at the pleasure of the Board, each of whom is both a "non-employee director" as defined by Rule 16b-3 and an "outside director" for purposes of Section 162(m) of the Code.

Appointment of Committee members shall be effective upon acceptance of appointment. Committee members may resign at any time by delivering written notice to the Board. Vacancies in the Committee may be filled by the Board.

9.2. Duties and Powers of Committee. It shall be the duty of the Committee to conduct the general administration of this Plan in accordance with its provisions. The Committee shall have the power to interpret this Plan and the agreements pursuant to which Options, awards of Restricted Stock or Deferred Stock, Performance Awards, Stock Appreciation Rights, Dividend Equivalents or Stock Payments are granted or awarded, and to adopt such rules for the administration, interpretation, and application of this Plan as are consistent therewith and to interpret, amend or revoke any such rules. Notwithstanding the foregoing, the full Board, acting by a majority of its members in office, shall conduct the general administration of the Plan with respect to Options granted to Independent Directors. Any such grant or award under this Plan need not be the same with respect to each Optionee, Grantee or Restricted Stockholder. Any such interpretations and rules with respect to Incentive Stock Options shall be consistent with the provisions of Section 422 of the Code. In its absolute discretion, the Board may at any time and from time to time exercise any and all rights and duties of the Committee under this Plan except with respect to matters which under Rule 16b-3 or Section 162(m) of the Code, or any regulations or rules issued thereunder, are required to be determined in the sole discretion of the Committee.

9.3. Majority Rule; Unanimous Written Consent. The Committee shall act by a majority of its members in attendance at a meeting at which a quorum is present or by a memorandum or other written instrument signed by all members of the Committee.

9.4. Compensation; Professional Assistance; Good Faith Actions. Members of the Committee shall receive such compensation, if any, for their services as members as may be determined by the Board. All expenses and liabilities which members of the Committee incur in connection with the administration of this Plan shall be borne by the Company. The Committee may, with the approval of the Board, employ attorneys, consultants, accountants, appraisers, brokers, or other persons. The Committee, the Company and the Company's officers and Directors shall be entitled to rely upon the advice, opinions or valuations of any such persons. All actions taken and all interpretations and determinations made by the Committee or the Board in good faith shall be final and binding upon all Optionees, Grantees, Restricted Stockholders, the Company and all other interested persons. No members of the Committee or Board shall be personally liable for any action, determination or interpretation made in good faith with respect to this Plan, Options, awards of Restricted Stock or Deferred Stock, Performance Awards, Stock Appreciation Rights, Dividend Equivalents or Stock Payments, and all members of the Committee and the Board shall be fully protected by the Company in respect of any such action, determination or interpretation.

9.5. Delegation of Authority to Grant Awards. The Committee may, but need not, delegate from time to time to a committee consisting of one or more members of the Committee or of one or more officers of the Company some or all of the Committee's authority to grant awards under this Plan to eligible recipients; provided, however, that each such recipient

must be an individual other than an "officer," "director" or "beneficial owner of more than ten per centum of any class of any equity security" within the meaning of each such term as it is used under Section 16(b) of the Exchange Act. Any delegation hereunder shall be subject to the restrictions and limits that the Committee specifies at the time of such delegation of authority and may be rescinded at any time by the Committee. At all times, any committee appointed under this Section 9.5 shall serve in such capacity at the pleasure of the Committee.

ARTICLE X.
MISCELLANEOUS PROVISIONS

10.1. Not Transferable. Options, Restricted Stock awards, Deferred Stock awards, Performance Awards, Stock Appreciation Rights, Dividend Equivalents or Stock Payments under this Plan may not be sold, pledged, assigned, or transferred in any manner other than by will or the laws of descent and distribution, unless and until such rights or awards have been exercised, or the shares underlying such rights or awards have been issued, and all restrictions applicable to such shares have lapsed. No Option, Restricted Stock award, Deferred Stock award, Performance Award, Stock Appreciation Right, Dividend Equivalent or Stock Payment or interest or right therein shall be liable for the debts, contracts or engagements of the Optionee, Grantee or Restricted Stockholder or his successors in interest or shall be subject to disposition by transfer, alienation, anticipation, pledge, encumbrance, assignment or any other means whether such disposition be voluntary or involuntary or by operation of law by judgment, levy, attachment, garnishment or any other legal or equitable proceedings (including bankruptcy), and any attempted disposition thereof shall be null and void and of no effect, except to the extent that such disposition is permitted by the preceding sentence.

During the lifetime of the Optionee or Grantee, only he may exercise an Option or other right or award (or any portion thereof) granted to him under the Plan. After the death of the Optionee or Grantee, any exercisable portion of an Option or other right or award may, prior to the time when such portion becomes unexercisable under the Plan or the applicable Stock Option Agreement or other agreement, be exercised by his personal representative or by any person empowered to do so under the deceased Optionee's or Grantee's will or under the then applicable laws of descent and distribution.

10.2. Amendment, Suspension or Termination of this Plan. Except as otherwise provided in this Section 10.2, this Plan may be wholly or partially amended or otherwise modified, suspended or terminated at any time or from time to time by the Board or the Committee. However, without approval of the Company's stockholders given within twelve months before or after the action by the Board or the Committee, no action of the Board or the Committee may, except as provided in Section 10.3, increase the limits imposed in Section 2.1 on the maximum number of shares which may be issued under this Plan or increase the Award Limit, and no action of the Board or the Committee may be taken that would otherwise require stockholder approval as a matter of applicable law, regulation or rule. No amendment, suspension or termination of this Plan shall, without the consent of the holder of Options, Restricted Stock awards, Deferred Stock awards, Performance Awards, Stock Appreciation Rights, Dividend Equivalents or Stock Payments, alter or impair any rights or obligations under

any Options, Restricted Stock awards, Deferred Stock awards, Performance Awards, Stock Appreciation Rights, Dividend Equivalents or Stock Payments theretofore granted or awarded, unless the award itself otherwise expressly so provides. No Options, Restricted Stock, Deferred Stock, Performance Awards, Stock Appreciation Rights, Dividend Equivalents or Stock Payments may be granted or awarded during any period of suspension or after termination of this Plan, and in no event may any Incentive Stock Option be granted under this Plan after the first to occur of the following events:

(a) The expiration of ten years from the date the 1997 Stock Option and Incentive Plan of AMB Property Corporation and AMB Investment Management, Inc. and their Respective Subsidiaries was adopted by the Board; or

(b) The expiration of ten years from the date the 1997 Stock Option and Incentive Plan of AMB Property Corporation and AMB Investment Management, Inc. and their Respective Subsidiaries was approved by the Company's stockholders under Section 10.4.

10.3. Changes in Common Stock or Assets of the Company, Acquisition or Liquidation of the Company and Other Corporate Events.

(a) Subject to Section 10.3(d), in the event that the Committee (or the Board, in the case of Options granted to Independent Directors) determines that any dividend or other distribution (whether in the form of cash, Common Stock, other securities, or other property), recapitalization, reclassification, stock split, reverse stock split, reorganization, merger, consolidation, split-up, spin-off, combination, repurchase, liquidation,

dissolution, or sale, transfer, exchange or other disposition of all or substantially all of the assets of the Company (including, but not limited to, a Corporate Transaction), or exchange of Common Stock or other securities of the Company, issuance of warrants or other rights to purchase Common Stock or other securities of the Company, or other similar corporate transaction or event, in the Committee's sole discretion (or in the case of Options granted to Independent Directors, the Board's sole discretion), affects the Common Stock such that an adjustment is determined by the Committee to be appropriate in order to prevent dilution or enlargement of the benefits or potential benefits intended to be made available under the Plan or with respect to an Option, Restricted Stock award, Performance Award, Stock Appreciation Right, Dividend Equivalent, Deferred Stock award or Stock Payment, then the Committee (or the Board, in the case of Options granted to Independent Directors) shall, in such manner as it may deem equitable, adjust any or all of

(i) the number and kind of shares of Common Stock (or other securities or property) with respect to which Options, Performance Awards, Stock Appreciation Rights, Dividend Equivalents or Stock Payments may be granted under the Plan, or which may be granted as Restricted Stock or Deferred Stock (including, but not limited to, adjustments of the limitations in Section 2.1 on the maximum number and kind of shares which may be issued and adjustments of the Award Limit),

(ii) the number and kind of shares of Common Stock (or other securities or property) subject to outstanding Options, Performance Awards, Stock Appreciation Rights, Dividend Equivalents, or Stock Payments, and in the number and kind of shares of outstanding Restricted Stock or Deferred Stock, and

(iii) the grant or exercise price with respect to any Option, Performance Award, Stock Appreciation Right, Dividend Equivalent or Stock Payment.

(b) Subject to Section 10.3(d), in the event of any Corporate Transaction or other transaction or event described in Section 10.3(a) or any unusual or nonrecurring transactions or events affecting the Company, any affiliate of the Company, or the financial statements of the Company or any affiliate, or of changes in applicable laws, regulations, or accounting principles, the Committee (or the Board, in the case of Options granted to Independent Directors) in its discretion is hereby authorized to take any one or more of the following actions whenever the Committee (or the Board, in the case of Options granted to Independent Directors) determines that such action is appropriate or desirable:

(i) In its sole and absolute discretion, and on such terms and conditions as it deems appropriate, the Committee (or the Board, in the case of Options granted to Independent Directors) may provide, either by the terms of the agreement or by action taken prior to the occurrence of such transaction or event and either automatically or upon the optionee's request, for either the purchase of any such Option, Performance Award, Stock Appreciation Right, Dividend Equivalent, or Stock Payment, or any Restricted Stock or Deferred Stock for an amount of cash equal to the amount that could have been attained upon the exercise of such option, right or award or realization of the optionee's rights had such option, right or award been currently exercisable or payable or fully vested or the replacement of such option, right or award with other rights or property selected by the Committee (or the Board, in the case of Options granted to Independent Directors) in its sole discretion;

(ii) In its sole and absolute discretion, the Committee (or the Board, in the case of Options granted to Independent Directors) may provide, either by the terms of such Option, Performance Award, Stock Appreciation Right, Dividend Equivalent, or Stock Payment, or Restricted Stock or Deferred Stock or by action taken prior to the occurrence of such transaction or event that it cannot vest, be exercised or become payable after such event;

(iii) In its sole and absolute discretion, and on such terms and conditions as it deems appropriate, the Committee (or the Board, in the case of Options granted to Independent Directors) may provide, either by the terms of such Option, Performance Award, Stock Appreciation Right, Dividend Equivalent, or Stock Payment, or Restricted Stock or Deferred Stock or by action taken prior to the occurrence of such transaction or event, that for a specified period of time prior to such transaction or event, such option, right or award shall be exercisable as to all shares covered thereby, notwithstanding anything to the contrary in (i) Section 4.4 or (ii) the provisions of such

Option, Performance Award, Stock Appreciation Right, Dividend Equivalent, or Stock Payment, or Restricted Stock or Deferred Stock;

(iv) In its sole and absolute discretion, and on such terms and conditions as it deems appropriate, the Committee (or the Board, in the case of Options granted to Independent Directors) may provide, either by the terms of such Option, Performance Award, Stock Appreciation Right, Dividend Equivalent, or Stock Payment, or Restricted Stock or Deferred Stock or by action taken prior to the occurrence of such transaction or event, that upon such event, such option, right or award be assumed by the successor or survivor corporation, or a parent or subsidiary thereof, or shall be substituted for by similar options, rights or awards covering the stock of the successor or survivor corporation, or a parent or subsidiary thereof, with appropriate adjustments as to the number and kind of shares and prices;

(v) In its sole and absolute discretion, and on such terms and conditions as it deems appropriate, the Committee (or the Board, in the case of Options granted to Independent Directors) may make adjustments in the number and type of shares of Common Stock (or other securities or property) subject to outstanding Options, Performance Awards, Stock Appreciation Rights, Dividend Equivalents, or Stock Payments, and in the number and kind of outstanding Restricted Stock or Deferred Stock and/or in the terms and conditions of, and the criteria included in, outstanding options, rights and awards and options, rights and awards which may be granted in the future; and

(vi) In its sole and absolute discretion, and on such terms and conditions as it deems appropriate, the Committee may provide either by the terms of a Restricted Stock award or Deferred Stock award or by action taken prior to the occurrence of such event that, for a specified period of time prior to such event, the restrictions imposed under a Restricted Stock Agreement or a Deferred Stock Agreement upon some or all shares of Restricted Stock or Deferred Stock may be terminated, and, in the case of Restricted Stock, some or all shares of such Restricted Stock may cease to be subject to repurchase under Section 6.6 or forfeiture under Section 6.5 after such event.

(c) Subject to Section 10.3(d) and 10.8, the Committee (or the Board, in the case of Options granted to Independent Directors) may, in its discretion, include such further provisions and limitations in any Option, Performance Award, Stock Appreciation Right, Dividend Equivalent, or Stock Payment, or Restricted Stock or Deferred Stock agreement or certificate, as it may deem equitable and in the best interests of the Company.

(d) With respect to Options, Restricted Stock, Deferred Stock, Stock Appreciation Rights and performance or incentive awards described in Article VII which are granted to Section 162(m) Participants and are intended to qualify as performance-based compensation under Section 162(m)(4)(C), no adjustment or action described in this Section 10.3 or in any other provision of the Plan shall be authorized to the extent that such adjustment or action would cause the Plan to violate Section 422(b)(1) of the Code or would cause such option or stock appreciation right to fail to so qualify under Section 162(m)(4)(C), as the case may be, or

any successor provisions thereto. Furthermore, no such adjustment or action shall be authorized to the extent such adjustment or action would result in short-swing profits liability under Section 16 or violate the exemptive conditions of Rule 16b-3 unless the Committee (or the Board, in the case of Options granted to Independent Directors) determines that the option or other award is not to comply with such exemptive conditions. The number of shares of Common Stock subject to any option, right or award shall always be rounded to the next whole number.

10.4. Approval of Plan by Stockholders. This Plan will be submitted for the approval of the Company's stockholders within twelve months after the date of the Board's initial adoption of this Plan. Options, Performance Awards, Stock Appreciation Rights, Dividend Equivalents or Stock Payments may be granted and Restricted Stock or Deferred Stock may be awarded prior to such stockholder approval, provided that such Options, Performance Awards, Stock Appreciation Rights, Dividend Equivalents or Stock Payments shall not be exercisable and such Restricted Stock or Deferred Stock shall not vest prior to the time when this Plan is approved by the stockholders, and provided further that if such approval has not been obtained at the end of said twelve-month period, all Options, Performance Awards, Stock Appreciation Rights, Dividend Equivalents or Stock Payments previously granted and all Restricted Stock or Deferred Stock previously awarded under this Plan shall thereupon be canceled and become null and void.

10.5. Tax Withholding. The Company shall be entitled to require payment in cash or deduction from other compensation payable to each Optionee, Grantee or Restricted Stockholder of any sums required by federal, state or local tax law to be withheld with respect to the issuance, vesting, exercise or payment of any Option, Restricted Stock, Deferred Stock, Performance Award, Stock Appreciation Right, Dividend Equivalent or Stock Payment. The Committee (or the Board, in the case of Options granted to Independent Directors) may in its discretion and in satisfaction of the foregoing requirement allow such Optionee, Grantee or Restricted Stockholder to elect to have the Company withhold shares of Common Stock otherwise issuable under such Option or other award (or allow the return of shares of Common Stock) having a Fair Market Value equal to the sums required to be withheld.

10.6. Loans. The Committee may, in its discretion, extend one or more loans to key Employees in connection with the exercise or receipt of an Option, Performance Award, Stock Appreciation Right, Dividend Equivalent or Stock Payment granted under this Plan, or the issuance of Restricted Stock or Deferred Stock awarded under this Plan. The terms and conditions of any such loan shall be set by the Committee.

10.7. Forfeiture Provisions. Pursuant to its general authority to determine the terms and conditions applicable to awards under the Plan, the Committee (or the Board, in the case of Options granted to Independent Directors) shall have the right (to the extent consistent with the applicable exemptive conditions of Rule 16b-3) to provide, in the terms of Options or other awards made under the Plan, or to require the recipient to agree by separate written instrument, that (i) any proceeds, gains or other economic benefit actually or constructively received by the recipient upon any receipt or exercise of the award, or upon the receipt or resale of any Common Stock underlying such award, must be paid to the Company, and (ii) the award

shall terminate and any unexercised portion of such award (whether or not vested) shall be forfeited, if (a) a Termination of Employment, Termination of Consultancy or Termination of Directorship occurs prior to a specified date, or within a specified time period following receipt or exercise of the award, or (b) the recipient at any time, or during a specified time period, engages in any activity in competition with the Company, or which is inimical, contrary or harmful to the interests of the Company, as further defined by the Committee (or the Board, as applicable).

10.8. Limitations Applicable to Section 16 Persons and Performance-Based Compensation. Notwithstanding any other provision of this Plan, this Plan, and any Option, Performance Award, Stock Appreciation Right, Dividend Equivalent or Stock Payment granted, or Restricted Stock or Deferred Stock awarded, to any individual who is then subject to Section 16 of the Exchange Act, shall be subject to any additional limitations set forth in any applicable exemptive rule under Section 16 of the Exchange Act (including any amendment to Rule 16b-3 of the Exchange Act) that are requirements for the application of such exemptive rule. To the extent permitted by applicable law, the Plan, Options, Performance Awards, Stock Appreciation Rights, Dividend Equivalents, Stock Payments, Restricted Stock and Deferred Stock granted or awarded hereunder shall be deemed amended to the extent necessary to conform to such applicable exemptive rule. Furthermore, notwithstanding any other provision of this Plan, any Option, Stock Appreciation Right or performance or incentive award described in Article VII which is granted to a Section 162(m) Participant and is intended to qualify as performance-based compensation as described in Section 162(m)(4)(C) of the Code shall be subject to any additional limitations set forth in Section 162(m) of the Code (including any amendment to Section 162(m) of the Code) or any regulations or rulings issued thereunder that are requirements for qualification as performance-based compensation as described in Section 162(m)(4)(C) of the Code, and this Plan shall be deemed amended to the extent necessary to conform to such requirements.

10.9. Effect of Plan Upon Options and Compensation Plans. The adoption of this Plan shall not affect any other compensation or incentive plans in effect for the Company or any Subsidiary. Nothing in this Plan shall be construed to limit the right of the Company (i) to establish any other forms of incentives or compensation for Employees, Directors or Consultants of the Company or any Subsidiary or (ii) to grant or assume options or other rights or awards otherwise than under this Plan in connection with any proper corporate purpose including but not by way of limitation, the grant or assumption of options in connection with the acquisition by purchase, lease, merger, consolidation or otherwise, of the business, stock or assets of any corporation, partnership, limited liability company, firm or association.

10.10. Section 83(b) Election Prohibited. No Grantee, Optionee or Restricted Stockholder may make an election under Section 83(b) of the Code with respect to any award or grant under this Plan, without the Company's consent.

10.11. Compliance with Laws. This Plan, the granting and vesting of Options, Restricted Stock awards, Deferred Stock awards, Performance Awards,

Stock Appreciation Rights, Dividend Equivalents or Stock Payments under this Plan and the issuance and delivery of

shares of Common Stock and the payment of money under this Plan or under Options, Performance Awards, Stock Appreciation Rights, Dividend Equivalents or Stock Payments granted or Restricted Stock or Deferred Stock awarded hereunder are subject to compliance with all applicable federal and state laws, rules and regulations (including but not limited to state and federal securities law and federal margin requirements) and to such approvals by any listing, regulatory or governmental authority as may, in the opinion of counsel for the Company, be necessary or advisable in connection therewith. Any securities delivered under this Plan shall be subject to such restrictions, and the person acquiring such securities shall, if requested by the Company, provide such assurances and representations to the Company as the Company may deem necessary or desirable to assure compliance with all applicable legal requirements. To the extent permitted by applicable law, the Plan, Options, Restricted Stock awards, Deferred Stock awards, Performance Awards, Stock Appreciation Rights, Dividend Equivalents or Stock Payments granted or awarded hereunder shall be deemed amended to the extent necessary to conform to such laws, rules and regulations.

10.12. Titles. Titles are provided herein for convenience only and are not to serve as a basis for interpretation or construction of this Plan.

10.13. Governing Law. This Plan and any agreements hereunder shall be administered, interpreted and enforced under the internal laws of the State of California without regard to conflicts of laws thereof.

10.14. Conflicts with Company's Articles of Incorporation. Notwithstanding any other provision of this Plan, no Optionee, Grantee or Restricted Stockholder shall acquire or have any right to acquire any Common Stock, and shall not have other rights under this Plan, which are prohibited under the Company's Articles of Incorporation.

[Remainder of Page Intentionally Left Blank.]

I hereby certify that the foregoing Plan was duly adopted by the Board of Directors of AMB Property Corporation on May 7, 1999.

Executed on this 7th day of May, 1999.

_____
David S. Fries
Chief Administrative Officer,
Managing Director and General
Counsel

IN WITNESS WHEREOF, the parties below have caused the foregoing Plan to be approved by their officers duly authorized on this 7th day of May, 1999.

AMB PROPERTY, L.P.,
a Delaware limited partnership

By: AMB Property Corporation
its general partner

By: _____
David S. Fries
Chief Administrative Officer,
Managing Director and General
Counsel

AMB PROPERTY II, L.P.,
a Delaware limited partnership

By: AMB Property Holding Corporation
its general partner

By: _____
John T. Roberts
Vice President

AMB INVESTMENT MANAGEMENT, INC.,
a Maryland corporation

By: _____
Barbara J. Linn
President

AMB INVESTMENT MANAGEMENT LIMITED
PARTNERSHIP

By: AMB Investment Management, Inc.
its general partner

By: _____
Barbara J. Linn
President

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This schedule contains summary financial information extracted from AMB Property Corporation's Consolidated Financial Statements (unaudited) for the period ended June 30, 1999 and is qualified in its entirety by reference to such Consolidated Financial Statements.

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