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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 SEPTEMBER 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 November 1, 1999, there were 86,576,641 shares of the Registrant's common stock, $0.01 par value per share, outstanding.

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AMB PROPERTY CORPORATION

INDEX

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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 SEPTEMBER 30, 1999
(UNAUDITED, DOLLARS IN THOUSANDS, EXCEPT SHARE AND PER SHARE AMOUNTS)

ASSETS

<TABLE>
<CAPTION>

	DECEMBER 31, 1998	SEPTEMBER 30, 1999
<S>	<C>	<C>
Investments in real estate:		
Land and improvements	$ 740,680	$ 698,445
Buildings and improvements	2,445,104	2,201,905
Construction in progress	183,276	168,348
Total investments in properties	3,369,060	3,068,698
Accumulated depreciation and amortization	(58,404)	(85,521)
Net investments in properties	3,310,656	2,983,177
Investment in unconsolidated joint venture	57,655	58,685
Properties held for divestiture, net	115,050	477,815
Net investments in real estate	3,483,361	3,519,677
Cash and cash equivalents	25,137	70,821
Other assets	54,387	57,449
Total assets	$3,562,885	$3,647,947
LIABILITIES AND STOCKHOLDERS' EQUITY		
Debt:		
Secured debt	$ 734,196	$ 749,571
Secured credit facility	--	80,000
Unsecured senior debt securities	400,000	400,000
Unsecured credit facility	234,000	49,000
Total debt	1,368,196	1,278,571
Other liabilities	104,305	138,360
Total liabilities	1,472,501	1,416,931
Commitments and contingencies	--	--
Minority interests	325,024	428,221
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 86,576,641 issued and outstanding	859	865
Additional paid-in capital	1,668,401	1,678,988
Retained earnings	--	26,842
Total stockholders' equity	1,765,360	1,802,795
Total liabilities and stockholders' equity	$3,562,885	$3,647,947

</TABLE>

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

AMB PROPERTY CORPORATION

CONSOLIDATED STATEMENTS OF OPERATIONS
FOR THE NINE AND THREE MONTHS ENDED SEPTEMBER 30, 1998 AND 1999

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

<TABLE>
<CAPTION>

	FOR THE NINE MONTHS ENDED SEPTEMBER 30,		FOR THE THREE MONTHS ENDED SEPTEMBER 30,	
	1998	1999	1998	1999
<S>	<C>	<C>	<C>	<C>
REVENUES				
Rental revenues	$ 251,844	$ 330,895	$ 92,841	$ 109,708
Equity in earnings of unconsolidated joint venture	833	3,580	833	1,252
Investment management and other income	2,183	2,258	387	824
Total revenues	254,860	336,733	94,061	111,784
OPERATING EXPENSES				
Property operating expenses	28,781	39,110	10,752	13,153
Real estate taxes	33,686	43,431	12,413	13,629
General and administrative(2)	13,864	19,116	4,800	6,107
Interest, including amortization	47,105	67,705	19,544	21,147
Depreciation and amortization	40,052	49,295	14,750	15,693
Total operating expenses	163,488	218,657	62,259	69,729
Income from operations before minority interests	91,372	118,076	31,802	42,055
Minority interests' share of net income	(6,615)	(24,367)	(2,930)	(9,661)
Net income before gain from divestiture of real estate	84,757	93,709	28,872	32,394
Gain from divestiture of real estate	--	33,057	--	21,532
Net income before extraordinary items	84,757	126,766	28,872	53,926
Extraordinary items	--	(2,856)	--	(1,347)
Net income	84,757	123,910	28,872	52,579
Series A preferred stock dividends	(1,514)	(6,375)	(1,514)	(2,125)
Net income available to common stockholders	$ 83,243	$ 117,535	$ 27,358	$ 50,454
BASIC INCOME PER COMMON SHARE:				
Before extraordinary items	$ 0.97	$ 1.39	$ 0.32	$ 0.60
Extraordinary items	--	(0.03)	--	(0.02)
Net income available to common stockholders	$ 0.97	$ 1.36	$ 0.32	$ 0.58
DILUTED INCOME PER COMMON SHARE:				
Before extraordinary items	$ 0.97	$ 1.39	$ 0.32	$ 0.60
Extraordinary items	--	(0.03)	--	(0.02)
Net income available to common stockholders	$ 0.97	$ 1.36	$ 0.32	$ 0.58
WEIGHTED AVERAGE COMMON SHARES OUTSTANDING:				
Basic	85,874,513	86,274,878	85,874,513	86,536,918
Diluted	86,252,923	86,375,711	86,251,857	86,637,633

</TABLE>

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

AMB PROPERTY CORPORATION

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

<TABLE>
<CAPTION>

	FOR THE NINE MONTHS ENDED SEPTEMBER 30,	
	1998	1999

CASH FLOWS FROM OPERATING ACTIVITIES		
Net income	$ 84,757	$123,910
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	40,052	49,295
Straight-line rents	(8,083)	(7,523)
Amortization of debt premiums and financing costs	(1,921)	(2,156)
Minority interests' share of net income	6,615	24,367
Gain on divestiture of real estate	--	(33,057)
Non-cash portion of extraordinary items	--	(1,884)
Equity in (earnings) loss of AMB Investment Management	394	411
Equity in earnings of unconsolidated joint venture	(833)	(3,580)
Changes in assets and liabilities:		
Other assets	(11,795)	1,758
Other liabilities	28,047	34,056
Net cash provided by operating activities	137,233	185,597
CASH FLOWS FROM INVESTING ACTIVITIES		
Cash paid for property acquisitions	(397,388)	(309,699)
Additions to land, building, development costs, and other first generation improvements	(93,778)	(108,027)
Additions to second generation building improvements and lease costs	(7,622)	(20,046)
Acquisition of interest in unconsolidated joint venture	(67,149)	--
Distribution received from unconsolidated joint venture	1,011	2,550
Net proceeds from divestiture of real estate	--	460,132
Reduction of payable to affiliates in connection with Formation Transactions	(38,071)	--
Net cash used in investing activities	(602,997)	24,910
CASH FLOWS FROM FINANCING ACTIVITIES		
Issuance of common stock	--	732
Borrowings on unsecured credit facility	546,000	265,000
Borrowings on secured credit facility	--	80,000
Borrowings on secured debt	54,554	35,253
Payments on unsecured credit facility	(491,000)	(450,000)
Payments on secured debt	(62,916)	(73,860)
Payments of financing fees	--	(320)
Net proceeds from issuance of senior debt securities	399,166	--
Net proceeds from issuance of Series A preferred stock	96,100	--
Net proceeds from issuance of Series D preferred units	--	77,690
Net proceeds from issuance of Series E preferred units	--	10,857
Contributions from investors of Alliance Fund I	--	11,600
Dividends paid to common and preferred stockholders	(58,825)	(98,318)
Distributions to minority interests, including preferred units	(24,077)	(23,457)
Net cash provided by financing activities	459,002	(164,823)
Net increase (decrease) in cash and cash equivalents	(6,762)	45,684
Cash and cash equivalents at beginning of period	39,968	25,137
Cash and cash equivalents at end of period	$ 33,206	$ 70,821
SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION		
Cash paid for interest	$ 39,291	$ 61,267
Non-cash transactions:		
Acquisitions of properties	$ 674,365	$381,713
Assumption of debt	(171,988)	(57,480)
Minority interest's contribution, including units issued	(104,989)	(14,534)
Net cash paid	$ 397,388	$309,699

</TABLE>

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

AMB PROPERTY CORPORATION

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

<TABLE>
<CAPTION>

		COMMON STOCK				
	SERIES A PREFERRED STOCK	NUMBER OF SHARES	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	6,375	--	--	--	117,535	123,910
Issuance of restricted stock, net	--	98,368	1	2,214	--	2,215
Exercise of stock options	--	25,000	--	526	--	526
Conversion of Operating Partnership units	--	535,753	5	11,048	--	11,053
Deferred compensation	--	--	--	(3,080)	--	(3,080)
Deferred compensation amortization	--	--	--	555	--	555
Reallocation of Limited Partners' interests in Operating Partnership	--	--	--	(676)	--	(676)
Dividends	(6,375)	--	--	--	(90,693)	(97,068)
Balance at September 30, 1999	$96,100	86,576,641	$865	$1,678,988	$ 26,842	$1,802,795

</TABLE>

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

AMB PROPERTY CORPORATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
SEPTEMBER 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 comply with the rules and regulations to 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 primarily industrial buildings in target markets nationwide. Unless the context otherwise requires, the "Company" means AMB Property Corporation, the Operating Partnership and its other controlled subsidiaries.

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 September 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 primarily 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 September 30, 1999, the Company owned 692 industrial buildings (the "Industrial Properties") and 17 retail centers (the "Retail Properties") located in 26 markets throughout the United States. The Industrial Properties, principally warehouse distribution buildings, encompass approximately 63.8 million rentable square feet and, as of September 30, 1999, were 96.7% leased to over 2,180 tenants. The Retail Properties, principally grocer-anchored community shopping centers, encompass approximately 3.6 million rentable square feet and, as of September 30, 1999, were 92.0% leased to over 500 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. General and administrative expenses on the Consolidated Statements of Operations includes internal asset management costs of $5,170 and $7,181 for the nine months ended September 30, 1998 and 1999, respectively, and $1,968 and $2,522 for the three months ended September 30, 1998 and 1999, respectively. Prior to the third quarter of 1999, such costs were classified as property operating expenses.

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 nine and three months ended September 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 and in the Company's Quarterly Reports on Form 10-Q for the quarters ended March 31, 1999 and June 30, 1999.

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 third quarter of 1999, the Company acquired $66,987 in operating properties, consisting of 14 industrial buildings, aggregating 1.5 million square feet. The Company also initiated four new development projects aggregating approximately 1.0 million square feet, during the quarter, with a total estimated cost of $92,100 upon completion. Two development projects, aggregating approximately 0.7 million square feet, were completed during the quarter, at a total aggregate cost of $29,800. As of September 30, 1999, the Company had 16 industrial projects, aggregating approximately 4.1 million square feet, in its development pipeline, with a total estimated cost of $243,300 upon completion, and three retail projects, aggregating approximately 0.5 million square feet, in its development pipeline, with a total estimated cost of $70,200 upon completion.

4. PROPERTY DIVESTITURE AND PROPERTY HELD FOR DIVESTITURE

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 three of the properties was subject to the consent of one of the Company's joint venture partners, which did not consent to the sale of these properties. As a result, the price with respect to the 25 remaining properties, totaling approximately 4.3 million square feet, is approximately $560,300. The Company intends to dispose of the remaining 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 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 the write-off of debt premiums 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 2.0 million square feet, for an aggregate price of approximately $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 divestiture resulted in an approximate gain of approximately $21,500 and an extraordinary loss of approximately $1,300, consisting of prepayment penalties with an offset for the write-off of debt premiums related to the indebtedness extinguished. The Company currently expects the third transaction to close on or about December 1, 1999.

Although the remaining transaction with BPP Retail does not have 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.

The Company intends to use the proceeds of approximately $107,100 from the divestiture of the remaining four retail centers to BPP Retail in the third transaction to partially repay amounts outstanding under the Company's unsecured credit facility, to pay transaction expenses, for potential acquisitions and for general corporate purposes.

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 five of these retail properties, either on an individual or portfolio basis, or its interest in the joint venture which holds one of the five properties.

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.

Properties Held for Divestiture. As of September 30, 1999, the net carrying value of the properties held for divestiture, comprised of 12 retail centers and 17 industrial buildings, was $477,815. Certain of the properties included in these transactions are subject to indebtedness which totaled $112,190 as of September 30, 1999.

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

<TABLE>
<CAPTION>

	PROPERTIES HELD FOR DIVESTITURE					
	INDUSTRIAL		RETAIL		TOTAL	
	1998	1999	1998	1999	1998	1999
<S>	<C>	<C>	<C>	<C>	<C>	<C>
NINE MONTHS ENDED SEPTEMBER 30,						
Income	$3,617	$3,601	$38,176	$41,984	$41,793	$45,585
Property operating expenses	732	853	10,910	11,584	11,642	12,437
Net operating income	$2,885	$2,748	$27,266	$30,400	$30,151	$33,148

</TABLE>

<TABLE>
<CAPTION>

	INDUSTRIAL		RETAIL		TOTAL	
	1998	1999	1998	1999	1998	1999
<S>	<C>	<C>	<C>	<C>	<C>	<C>
THREE MONTHS ENDED SEPTEMBER 30,						
Income	$1,227	$1,268	$12,766	$13,924	$13,993	$15,192
Property operating expenses	251	296	3,512	3,848	3,763	4,144
Net operating income	$ 976	$ 972	$ 9,254	$10,076	$10,230	$11,048

</TABLE>

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

5. DEBT

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

<TABLE>
<CAPTION>

	DECEMBER 31, 1998	SEPTEMBER 30, 1999
<S>	<C>	<C>
Secured debt, varying interest rates from 4.0% to 10.4% due May 2000 to April 2014	$ 718,979	$ 737,851
Secured credit facility, variable interest rate at LIBOR		

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

plus 87.5 basis points (6.3% at September 30, 1999, based on 30-day LIBOR of 5.7%), due December 15, 1999	--	80,000
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 September 30, 1999, based on 30-day LIBOR of 5.7%), due November 2000	234,000	49,000
Subtotal	1,352,979	1,266,851
Unamortized debt premiums	15,217	11,720
Total consolidated debt	$1,368,196	$1,278,571

</TABLE>

Secured debt generally requires monthly principal and interest payments. The secured debt is secured by deeds of trust on certain Properties. As of September 30, 1999, the total gross investment book value of those Properties secured by debt was $1,443,705. All of the secured debt bears interest at fixed rates, except for two loans with an aggregate principal amount of $10,466 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.

The secured credit facility represents a loan secured by unfunded capital commitments of the third party investors in the Alliance Fund I. See Note 7 for a discussion of the Alliance Fund I.

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 nine and three months ended September 30, 1998 and 1999 was $4,974, $8,298, $1,876 and $2,841, respectively.

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

<TABLE>
<CAPTION>

	SECURED DEBT	SECURED CREDIT FACILITY	UNSECURED SENIOR DEBT SECURITIES	UNSECURED CREDIT FACILITY	TOTAL
<S>	<C>	<C>	<C>	<C>	<C>
1999 (three months)	$ 3,347	$80,000	$ --	$ --	$ 83,347
2000	45,190	--	--	49,000	94,190
2001	43,322	--	--	--	43,322
2002	53,997	--	--	--	53,997
2003	108,545	--	--	--	108,545
2004	92,360	--	--	--	92,360
2005	69,951	--	100,000	--	169,951
2006	134,950	--	--	--	134,950
2007	48,107	--	--	--	48,107
2008	127,746	--	175,000	--	302,746
Thereafter	10,336	--	125,000	--	135,336
Subtotal	$737,851	$80,000	$400,000	$49,000	$1,266,851

</TABLE>

6. MINORITY INTERESTS IN CONSOLIDATED JOINT VENTURES

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 separate account co-investors that are Institutional Alliance Partners) in 21 joint ventures, through which 27 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 exercises significant control through 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, separate account co-investors, the Alliance Fund I, 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, the Series D Preferred Unit holder's interest in an indirect subsidiary of the Company and the Series E Preferred Unit holder's interest in an indirect subsidiary of the Company, as of the quarter ended September 30, 1999 and for the nine and three months ended September 30, 1999.

<TABLE>
<CAPTION>

		MINORITY INTEREST SHARE OF NET INCOME	
	MINORITY INTEREST LIABILITY AS OF SEPTEMBER 30, 1999	NINE MONTHS ENDED SEPTEMBER 30, 1999	THREE MONTHS ENDED SEPTEMBER 30, 1999
<S>	<C>	<C>	<C>
Joint venture partners	$ 18,384	$ 1,426	$ 516
Separate account co-investors	51,400	2,771	971
Alliance Fund I	11,711	111	111
Limited partners in the Operating Partnership	90,006	6,159	2,638
Series B Preferred Units (liquidation preference of $65,000)	62,318	4,206	1,402
Series C Preferred Units (liquidation preference of $110,000)	105,855	7,218	2,406
Series D Preferred Units (liquidation preference of $79,767)	77,690	2,404	1,545
Series E Preferred Units (liquidation preference of $11,022)	10,857	72	72
	$428,221	$24,367	$9,661

</TABLE>

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

7. INVESTMENT IN CONSOLIDATED JOINT VENTURE

On September 24, 1999, AMB Institutional Alliance REIT I, Inc. (the "Alliance REIT") issued and sold shares of its capital stock to several third party investors. The Alliance REIT has elected to be taxed as a REIT under the Code, commencing with its tax year ending December 31, 1999. The Alliance REIT acquired a limited partnership interest in AMB Institutional Alliance Fund I, L.P. (the "Alliance Fund I"), which is engaged in the acquisition, ownership, operation, management, renovation, expansion and development of primarily industrial buildings in target markets nationwide. The Operating Partnership is the managing general partner of the Alliance Fund I and, together with an affiliate of the Company, owns approximately 30.1% of the partnership interests of the Alliance Fund I. The Company consolidates the Alliance Fund I for financial reporting purposes because the Operating Partnership is the managing general partner of the Alliance Fund I and, as a result, controls all of its major operating decisions.

8. 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 nine and three month periods ended September 30, 1999, the Company's share of net operating income was $6,048 and $2,056, respectively, and as of September 30, 1999, the Company's share of the unconsolidated joint venture debt was $19,112, which had a weighted average interest rate of 6.5%.

9. STOCKHOLDERS' EQUITY

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

On September 10, 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 September 30, 1999, payable on October 15, 1999, to stockholders and unitholders of record as of October 5, 1999. On September 10, 1999, the Company declared a cash dividend of $0.5313 per share on its Series A Preferred Stock, and the Operating Partnership declared a cash distribution of $0.5313 per unit on its Series A Preferred Units, for the three month period ending October 14, 1999, payable on October 15, 1999, to stockholders and unitholders of record as of October 5, 1999.

10. INCOME PER SHARE

The Company's only dilutive securities outstanding for the nine and three months ended September 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 377,344 and 100,832 shares for the nine months ended September 30, 1998 and 1999, respectively, and by 378,410 and 100,715 shares for the three months ended September 30, 1998 and 1999, respectively. Such dilution was computed using the treasury stock method.

11. 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	
	NINE MONTHS ENDED	THREE MONTHS ENDED	NINE MONTHS ENDED	THREE MONTHS ENDED	NINE MONTHS ENDED	THREE MONTHS ENDED
<S>	<C>	<C>	<C>	<C>	<C>	<C>
RENTAL REVENUES(1):						
September 30, 1998.....	$172,590	$66,021	$79,254	$26,820	$251,844	$ 92,841
September 30, 1999.....	257,199	91,395	73,696	18,313	330,895	109,708
PROPERTY NET OPERATING INCOME AND CONTRIBUTION TO FFO(2):						
September 30, 1998.....	132,059	50,099	57,318	19,577	189,377	69,676
September 30, 1999.....	195,224	69,620	53,130	13,306	248,354	82,926

</TABLE>

<TABLE>
<CAPTION>

	INDUSTRIAL PROPERTIES	RETAIL PROPERTIES	TOTAL PROPERTIES
<S>	<C>	<C>	<C>
INVESTMENT IN PROPERTIES:			
As of:			
December 31, 1998(3).....	$2,574,940	$794,120	$3,369,060
September 30, 1999(4).....	3,038,127	30,571	3,068,698

</TABLE>

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(1) Includes straight-line rents of $8,083 and $7,523 for the nine months ended September 30, 1998 and 1999, respectively, and $2,594 and $2,000 for the

quarters ended September 30, 1998 and 1999, respectively.

(2) 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 and excluding depreciation, amortization and interest expense.

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

(4) Excludes net properties held for divestiture of $39,550, $438,265, and $477,815 for Industrial, Retail, and Total Properties, respectively.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
SEPTEMBER 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.

<TABLE>
<CAPTION>

	FOR THE NINE MONTHS ENDED SEPTEMBER 30,		FOR THE THREE MONTHS ENDED SEPTEMBER 30,	
	1998	1999	1998	1999
<S>	<C>	<C>	<C>	<C>
REVENUES				
Total rental revenues for reportable segments	$251,844	$330,895	$ 92,841	$109,708
Investment management and other income	3,016	5,838	1,220	2,076
Total consolidated revenues	$254,860	$336,733	$ 94,061	$111,784
NET INCOME				
Property net operating income and contribution to FFO for reportable segments	$189,377	$248,354	$ 69,676	$ 82,926
Equity in earnings of unconsolidated joint venture	833	3,580	833	1,252
Investment management and other income	2,183	2,258	387	824
Less:				
General and administrative	(13,864)	(19,116)	(4,800)	(6,107)
Interest expense	(47,105)	(67,705)	(19,544)	(21,147)
Depreciation and amortization	(40,052)	(49,295)	(14,750)	(15,693)
Minority interests	(6,615)	(24,367)	(2,930)	(9,661)
Net income before gain from divestiture of real estate	84,757	93,709	28,872	32,394
Gain from divestiture of real estate	--	33,057	--	21,532
Extraordinary items	--	(2,856)	--	(1,347)
Net income	$ 84,757	$123,910	$ 28,872	$ 52,579
FFO(1)				
Net income	$ 84,757	$123,910	$ 28,872	$ 52,579
Minority interests' share of net income	6,615	24,367	2,930	9,661
Gain from divestiture of real estate	--	(33,057)	--	(21,532)
Extraordinary items	--	2,856	--	1,347
Real estate depreciation and amortization:				
Total depreciation and amortization	40,052	49,295	14,750	15,693
Furniture, fixtures, and equipment depreciation	(319)	(649)	(104)	(285)
FFO attributable to minority interests(2):				
Separate account co-investors	(2,561)	(4,001)	(1,430)	(1,366)
Alliance Fund I	--	(127)	--	(127)
Other joint venture partners	(1,562)	(1,691)	(605)	(582)
Adjustment to derive FFO in unconsolidated joint venture(3):				
Company's share of net income	(833)	(3,579)	(833)	(1,251)
Company's share of FFO	1,327	5,061	1,327	1,745
Series A preferred stock dividends	(1,514)	(6,375)	(1,514)	(2,125)
Series B, C, D & E preferred unit distributions	--	(13,900)	--	(5,425)
FFO	$125,962	$142,110	$ 43,393	$ 48,332

</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.

12. COMMITMENTS AND CONTINGENCIES

Litigation

In the normal course of business, from time to time, the Company is involved in legal actions relating to the ownership and operations of its Properties. In management's opinion, the liabilities, if any, that may ultimately result from such legal actions are not expected to have a 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 September 30, 1999, we owned and operated industrial buildings and retail centers totaling 67.4 million square feet located in 26 markets nationwide. As of September 30, 1999, we owned 692 industrial buildings, principally warehouse distribution buildings, aggregating 63.8 million rentable square feet, which were 96.7% leased, and 17 retail centers, principally grocer-anchored community shopping centers, aggregating 3.6 million rentable square feet, which were 92.0% 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 3.7 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 three of the properties was subject to the consent of one of our joint venture partners, which did not consent to the sale of these properties. As a result, the price with respect to the 25 remaining properties, totaling approximately 4.3 million square feet, is approximately $560.3 million. We intend to dispose of the remaining 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. The divestitures resulted in an aggregate gain of approximately $33.1 million and an extraordinary loss of approximately $2.9 million, consisting of prepayment penalties with an offset for the write-off of debt premiums related to the indebtedness extinguished. We currently expect the third transaction to close on or about December 1, 1999.

Although the remaining transaction with BPP Retail does not have 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.

We intend to use the proceeds of approximately $107.1 million from the divestiture of the remaining four retail centers to BPP Retail in the third

transaction to partially repay amounts outstanding under our unsecured credit facility, to pay transaction expenses, for potential acquisitions and for general corporate purposes.

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 five of these retail properties, either on an individual or portfolio basis, or our interest in the joint venture which holds one of the five properties.

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.

On September 24, 1999, AMB Institutional Alliance REIT I, Inc. (the "Alliance REIT") issued and sold shares of its capital stock to several third party investors. The Alliance REIT acquired a limited partnership interest in AMB Institutional Alliance Fund I, L.P. (the "Alliance Fund I"), which is engaged in the acquisition, ownership, operation, management, renovation, expansion and development of primarily industrial buildings in target markets nationwide. The operating partnership is the managing general partner of the Alliance Fund I and, together with one of our affiliates, owns approximately 30.1% of the partnership interests of the Alliance Fund I. We consolidate the Alliance Fund I for financial reporting purposes because the operating partnership is the managing general partner of the Alliance Fund I and, as a result, controls all of its major operating decisions.

We have formed a limited liability company with AIG Global Real Estate Investment Corp. ("AIG") to acquire, develop, manage and operate environmentally impaired properties in target markets nationwide. The operating partnership is the managing member of this venture. Each of AIG and the operating partnership has committed $50 million to this venture. This venture currently intends to invest primarily in industrial

properties located near major airports, ports and in-fill areas with known and quantifiable environmental issues, as well as, to a more limited extent, well-located, value-added retail properties.

ACQUISITION AND DEVELOPMENT ACTIVITY

During the third quarter, we acquired $67.0 million in operating properties, consisting of 14 industrial buildings, aggregating 1.5 million square feet. We also initiated four new development projects, aggregating approximately 1.0 million square feet during the quarter, with a total estimated cost of $92.1 million upon completion. Two development projects aggregating approximately 0.7 million square feet, were completed during the quarter at a total aggregate cost of $29.8 million. As of September 30, 1999, we had 16 industrial projects, aggregating approximately 4.1 million square feet, in our development pipeline, with a total estimated cost of $243.3 million upon completion, and three retail projects, aggregating approximately 0.5 million square feet, with a total estimated cost of $70.2 million upon completion, in our development pipeline.

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

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.

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. During the quarter ended September 30, 1999, we acquired one industrial building, aggregating 0.7 million square feet, sourced through our Customer 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 September 30, 1999, over 84% of our development projects were being developed by our Development Alliance Partners.

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 September 30, 1999, we acquired nine industrial buildings, aggregating 0.4 million square feet, sourced through our Management Alliance Program.

INVESTMENT ALLIANCES

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.

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.

RESULTS OF OPERATIONS

The analysis below shows changes in our results of operations for the nine and three months ended September 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 nine and three month periods ended September 30, 1999 and 1998, the same store properties consist of properties aggregating 38.4 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.

NINE AND THREE MONTHS ENDED SEPTEMBER 30, 1999 AND 1998

Rental revenues. Rental revenues, including straight-line rents, tenant reimbursements and other property related income, increased by $79.1 and $16.9 million, or 31.4% and 18.2%, for the nine and three months ended September 30, 1999, to $330.9 and $109.7 million, respectively, as compared with the same periods in 1998. Approximately $6.9 and $2.1 million, or 8.8% and 12.3% of this increase, was attributable to same store properties, with the remaining $72.2 and $14.8 million attributable to properties acquired between January 1, 1998 and September 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 and the divestiture of the 21 retail centers to BPP Retail. During the nine and three months ended September 30, 1999, the same store properties increase in base rents (cash basis) was 13.4% and 10.9%, respectively, on 3.9 million and 1.4 million square feet leased, respectively.

Other revenues. Other revenues, including equity in earnings of unconsolidated joint venture, investment management income, and interest income, totaled $5.8 and $2.1 million for the nine and three months ended September 30, 1999, respectively, as compared to $3.0 and $1.2 million for the nine and three months ended September 30, 1998, respectively. The $2.8 and $0.9 million increase in other revenues between the nine and three months ended September 30, 1999 and September 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 $20.1 and $3.6 million, or 32.1% and 15.6%, for the nine and three months ended September 30, 1999, to $82.5 and $26.8 million, respectively, as compared with the same periods in 1998. Same store properties operating expenses increased by

approximately $1.2 and $0.2 million for the nine and three months ended September 30, 1999, respectively, while operating expenses attributable to properties acquired between January 1, 1998 through September 30, 1999 added $18.9 and $3.4 million. The change in same store properties operating expenses primarily relates to increases in same store properties real estate taxes of approximately $1.6 and $0.4 million for the nine and three months ended September 30, 1999, respectively, offset by decreases in same store insurance expenses and the divestiture of the 21 retail centers to BPP Retail.

General and administrative expenses. General and administrative expenses were $19.1 and $6.1 million for the nine and three months ended September 30, 1999, respectively. The $5.2 and $1.3 million, or 37.4% and 27.1%, increases from the nine and three months ended September 30, 1998 to September 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 flows 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 or other subsidiaries) 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 three of the properties was subject to the consent of one of our joint venture partners, which did not consent to the sale of these properties. As a result, the sale price with respect to the 25 remaining properties, totaling approximately 4.3 million square feet, is approximately $560.3 million. We intend to dispose of the remaining 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. The divestitures resulted in an aggregate gain of approximately $33.1 million and an extraordinary loss of approximately $2.9 million, consisting of prepayment penalties with an offset for the write-off of debt premiums related to the indebtedness extinguished. 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 five of these retail properties, either on an individual or portfolio basis, or our interests in the joint venture which holds one of the five properties.

As of September 30, 1999, the net carrying value of the properties held for divestiture was $477.8 million. Certain of the properties included in these transactions are subject to indebtedness totaling $112.2 million as of September 30, 1999. We intend to use the proceeds 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. There can be no assurance that we will dispose of all of the properties held for divestiture in a timely manner.

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 September 30, 1999, the outstanding balance on the credit facility was $49.0 million, with a weighted average interest rate of 6.6% (based on 30-day LIBOR of 5.7%). 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 September 30, 1999, the remaining amount available under the credit facility was approximately $451.0 million.

Debt and equity financing. On August 31, 1999, AMB Property II, L.P. issued and sold 220,440 7.75% Series E 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 E Preferred Units are redeemable by AMB Property II, L.P. on or after August 31, 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 E Preferred Units are exchangeable, at specified times and subject to certain conditions, on a one-for-one basis, for shares of AMB's Series E Preferred Stock. AMB Property II, L.P. used the gross proceeds of approximately $11.0 million to pay placement fees, transaction expenses and to repay approximately $10.8 million in loans made to it by the operating partnership. The operating partnership used the funds to pay approximately $10.0 million in partial repayment of amounts outstanding under our unsecured credit facility and for general corporate purposes.

Market capitalization. As of September 30, 1999, the aggregate principal amount of the secured debt was $817.9 million, excluding unamortized debt premiums of $11.7 million. The secured debt bears interest at rates varying from 4.0% to 10.4% per annum (with a weighted average of 7.6%) and final maturity dates ranging from December 1999 to April 2014. We believe the carrying value of the debt approximates its fair value on September 30, 1999.

As of September 30, 1999, our total outstanding debt was approximately $1.3 billion, including unamortized debt premiums of approximately $11.7 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 $83.3 million, of which $80.0 million represents repayment of a secured credit facility, with the remaining $3.3 million representing 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 following tables summarize our debt maturities and capitalization as of September 30, 1999 (in thousands, except share amounts and percentages).

DEBT

<TABLE>
<CAPTION>

	INDUSTRIAL SECURED DEBT	RETAIL SECURED DEBT	SECURED CREDIT FACILITY(2)	UNSECURED SENIOR DEBT SECURITIES	UNSECURED CREDIT FACILITY	TOTAL
<S>	<C>	<C>	<C>	<C>	<C>	<C>
1999 (three months)	$ 2,256	$ 1,091	$ 80,000	$ --	$ --	$ 83,347
2000	36,434	8,756	--	--	49,000	94,190
2001	13,277	30,045	--	--	--	43,322
2002	30,189	23,808	--	--	--	53,997

2003	58,024	50,521	--	--	--
108,545					
2004	91,790	570	--	--	--
92,360					
2005	69,333	618	--	100,000	--
169,951					
2006	134,280	670	--	--	--
134,950					
2007	47,380	727	--	--	--
48,107					
2008	119,988	7,758	--	175,000	--
302,746					
Thereafter	8,410	1,926	--	125,000	--
135,336					
- ----------					
Subtotal	611,361	126,490	80,000	400,000	49,000
1,266,851					
Unamortized premiums	9,049	2,671	--	--	--
11,720					
- ----------					
Total consolidated debt	620,410	129,161	80,000	400,000	49,000
1,278,571					
Our share of unconsolidated JV debt	19,112	--	--	--	--
19,112					
- ----------					
Total debt	639,522	129,161	80,000	400,000	49,000
1,297,683					
JV partners' share of consolidated JV debt	(42,489)	(16,668)	(64,000)	--	--
(123,157)					
- ----------					
Our share of total debt	$597,033	$112,493	$ 16,000	$400,000	$49,000
$1,174,526					
==========					
Weighted average interest rate	7.7%(1)	7.9%	6.3%	7.2%	6.6%
7.4%					
Weighted average maturity (in years)	6.3(1)	3.8	0.2	11.1	1.2
6.9					

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

(2) Represents a secured credit facility secured by the unfunded capital commitments of the investors in the Alliance Fund I. Our projected ownership of the Alliance Fund I upon final closing is estimated to be 20%.

MARKET EQUITY

SECURITY	SHARES/UNITS OUTSTANDING	MARKET PRICE	MARKET VALUE
<S>	<C>	<C>	<C>
Common stock	86,576,641	$21.19	$1,834,343
Common limited partnership units	4,532,584	21.19	96,034
Total	91,109,225		$1,930,377

PREFERRED STOCK AND UNITS

SECURITY	DIVIDEND RATE	LIQUIDATION PREFERENCE	REDEMPTION PROVISIONS
<S>	<C>	<C>	<C>
Series A preferred stock	8.50%	$100,000	July 2003
Series B preferred units	8.63	65,000	November 2003
Series C preferred units	8.75	110,000	November 2003
Series D preferred units	7.75	79,767	May 2004
Series E preferred units	7.75	11,022	August 2004
Weighted Average/Total	8.41%	$365,789	

</TABLE>

CAPITALIZATION RATIOS

<TABLE>
<CAPTION>

<S>	<C>
Total debt-to-total market capitalization.....	36.1%
Our share of total debt-to-total market capitalization.....	33.8%
Total debt plus preferred-to-total market capitalization....	46.3%
Our share of total debt plus preferred-to-total market capitalization.....	44.4%

</TABLE>

LIQUIDITY

As of September 30, 1999, we had approximately $70.8 million in cash and cash equivalents and $451.0 million of additional available borrowings under our unsecured 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 September 10, 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 September 30, 1999, payable on October 15, 1999, to stockholders and unitholders of record as of October 5, 1999. On September 10, 1999, we declared a cash dividend of $0.5313 per share on our Series A Preferred Stock, and the operating partnership declared a cash distribution of $0.5313 per unit on its Series A Preferred Units, for the three month period ending October 14, 1999, payable on October 15, 1999, to stockholders and unitholders of record as of October 5, 1999. On September 10, 1999, the operating partnership and AMB Property II, L.P. declared a cash distribution of $1.0781 and $1.0938 per unit on their Series B Preferred Units and Series C Preferred Units, respectively, for the three month period ending October 14, 1999, payable on October 15, 1999, to unitholders of record as of October 5, 1999. On September 10, 1999, AMB Property II, L.P. declared a cash distribution of $0.9688 per unit on its Series D Preferred Units, for the three month period ending on September 24, 1999, payable on September 25, 1999, to unitholders of record as of September 15, 1999. On September 10, 1999, AMB Property II, L.P. declared a cash distribution of $0.3264 per unit on its Series E Preferred Units, for the period from August 31, 1999 to October 14, 1999, payable on October 15, 1999, to unitholders of record as of October 5, 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 September 30, 1999, our development pipeline included 19 projects representing a total estimated investment of $313.5 million upon completion. Of this total, approximately $155.2 million had been funded as of September 30, 1999 and approximately $158.3 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 July 1, 1999 to September 30, 1999, we invested $67.0 million in 14 industrial buildings, aggregating 1.5 million rentable square feet. We funded these acquisitions and initiated development projects through proceeds from the divestiture of properties, borrowings under the credit facility, cash and debt assumption.

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 have conducted 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 have developed our contingency plan for all material operations to address the most reasonably likely worst case scenarios regarding year 2000 compliance. Our contingency plan includes ensuring the availability of personnel and, if necessary, the deployment of teams consisting of property managers and engineers to manually override malfunctioning systems that are within our control in a timely manner.

FUNDS FROM OPERATIONS

We believe that FFO, as defined by NAREIT, is an appropriate supplemental measure of performance for an equity REIT. While FFO is a relevant and widely used supplemental 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 nine and three months ended September 30, 1998 and 1999 (dollars in thousands).

<TABLE>
<CAPTION>

	FOR THE NINE MONTHS ENDED SEPTEMBER 30,		FOR THE THREE MONTHS ENDED SEPTEMBER 30,	
	1998	1999	1998	1999
<S>	<C>	<C>	<C>	<C>
Income from operations before minority interests	$ 91,372	$ 118,076	$ 31,802	$ 42,055
Real estate related depreciation and amortization:				
Total depreciation and amortization	40,052	49,295	14,750	15,693
FF&E depreciation and ground lease amortization	(319)	(649)	(104)	(285)
FFO attributable to minority interests(1)(2):				
Separate account co-investors	(2,561)	(4,001)	(1,430)	(1,366)
Alliance Fund I	--	(127)	--	(127)
Other joint venture partners	(1,562)	(1,691)	(605)	(582)
Adjustments to derive FFO in unconsolidated joint venture(3):				
Our share of net income	(833)	(3,579)	(833)	(1,251)
Our share of FFO	1,327	5,061	1,327	1,745
Series A preferred stock dividends	(1,514)	(6,375)	(1,514)	(2,125)
Series B, C, D, & E preferred unit distributions	--	(13,900)	--	(5,425)

FFO(1)	$ 125,962	$ 142,110	$ 43,393	$ 48,332
FFO per common share and unit:				
Basic	$ 1.41	$ 1.56	$ 0.48	$ 0.53
Diluted	$ 1.41	$ 1.56	$ 0.48	$ 0.53
Weighted average common shares and units:				
Basic	89,214,581	90,796,692	89,675,763	91,078,726
Diluted(4)	89,537,512	90,897,525	90,053,107	91,179,441

</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 and unit distributions. 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 charges.

(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 September 30, 1999.

<TABLE>
<CAPTION>

	INDUSTRIAL	RETAIL	TOTAL
<S>	<C>	<C>	<C>
Square feet owned(1)	63,771,805	3,578,092	67,349,897
Occupancy percentage	96.7%	92.0%	96.5%
Lease expirations as percentage of total square feet (next 12 months)	16.6%	8.1%	16.1%
Weighted average lease term	7 years	14 years	7 years
Tenant retention:			
Quarter	68.3%	16.9%	68.1%
Trailing average (1/01/96 to 9/30/99)	72.4%	85.3%	73.0%
Rent increases on renewals and rollovers:			
Quarter	12.9%	(0.5)%	12.6%
Year-to-date	13.6%	6.8%	13.0%
Same store cash basis NOI growth(2):			
Quarter	6.0%	8.1%	6.4%
Year-to-date	5.9%	5.7%	5.9%
Second generation tenant improvements and leasing commissions per sq. ft.:(3)			
Quarter:			
Renewals	$ 1.00	$ 0.11	$ 0.99
Re-tenanted	3.32	0.00	3.31
Weighted average	$ 1.64	$ 0.10	$ 1.63
Year-to-date:			
Renewals	$ 1.26	$ 1.26	$ 1.26
Re-tenanted	2.89	3.97	2.89
Weighted average	$ 1.66	$ 1.39	$ 1.65
Trailing average (1/01/96 to 9/30/99)	$ 1.36	$ 4.03	$ 1.49
Recurring capex(4)			
Quarter	$ 7,657	$ 27	$ 7,684
Year-to-date	19,257	789	20,046

</TABLE>

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(1) In addition to owned square feet as of September 30, 1999, AMB Investment Management managed 3.7 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 2.3 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 second generation leases renewing or re-tenanting with lease terms greater than one year.

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

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

<TABLE>
<CAPTION>

	INDUSTRIAL	RETAIL	TOTAL
<S>	<C>	<C>	<C>
Square feet in same store pool(1)	36,025,231	2,345,531	38,370,762
Occupancy percentage:			
9/30/99	97.9%	95.9%	97.8%
9/30/98	95.9%	96.2%	95.9%
Tenant retention:			
Quarter	72.3%	30.6%	72.1%
Year-to-date	75.3%	84.0%	75.4%
Rent increases on renewals and rollovers:			
Quarter	11.3%	(0.5)%	10.9%
Year-to-date	14.3%	6.5%	13.4%
Cash basis NOI growth % increase:			
Quarter:			
Revenues	4.5%	7.8%	5.1%
Expenses	0.1%	7.1%	1.4%
NOI	6.0%	8.1%	6.4%
Year-to-date:			
Revenues	5.1%	5.2%	5.1%
Expenses	2.5%	4.1%	2.8%
NOI	5.9%	5.7%	5.9%

</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 September 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 September 30, 1999, the operating partnership issued an aggregate of 3,642 limited partnership units with an aggregate value of approximately $85,700 to five partnerships 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 August 31, 1999, AMB Property II, L.P. issued and sold 220,440 7.75% Series E Cumulative Redeemable Preferred Limited Partnership Units at a price of $50.00 per unit, for a gross price of approximately $11.0 million, to a limited liability company. The issuance and sale of the Series E 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 E Preferred Units are exchangeable, at specified times and subject to certain conditions, on a one-for-one basis, for shares of AMB's Series E Preferred Stock. The Articles Supplementary establishing the rights and preferences of the holders of the Series E Preferred Stock were filed as Exhibit 3.1 to our Current Report on Form 8-K dated August 31, 1999.

ITEM 3. DEFAULTS UPON SENIOR SECURITIES

None.

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

None.

ITEM 5. OTHER INFORMATION

BUSINESS RISKS

Our operations involve various risks that could have adverse consequences to us. 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 space or a reduction in demand for industrial 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 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 19.8% of the leased square footage of our properties as of September 30, 1999 will expire on or prior to December 31, 2000, with leases on 3.0% of the leased square footage of our properties as of September 30, 1999 expiring during the three 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 September 30, 1999 represented approximately 22.2% of the aggregate square footage of our properties as of September 30, 1999 and approximately 28.8% of our annualized base rent. Annualized base rent means the monthly contractual amount under existing leases at September 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 is fully consummated and the divestiture of certain retail centers currently under contract is fully consummated, we will dispose of all but one of our retail centers located in California and, thereafter (based on property statistics as of September 30, 1999), 21.7% of our properties based on aggregate square footage and 27.2% of our properties based on annualized base rent will be located in California.

OUR PROPERTIES ARE CURRENTLY CONCENTRATED IN THE INDUSTRIAL SECTOR

Our properties are currently concentrated predominantly in the industrial real estate sector. Our concentration in a certain property type may expose us to the risk of economic downturns in this sector to a greater extent than if our portfolio also included other property types. As a result of such concentration, economic downturns in the industrial real estate sector could 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 September 30, 1999, 193 industrial buildings aggregating 14.1 million rentable square feet (representing 20.9% of our properties based on aggregate square footage and 24.6% based on annualized base rent) and four retail centers aggregating 0.9 million rentable square feet (representing 1.3% of our properties based on aggregate square footage and 4.2% based on annualized base rent) are located. In the event that the remaining transaction with BPP Retail is fully consummated and the divestiture of certain retail centers currently under contract is fully consummated, we will dispose of all but one of our retail centers located in California and, thereafter (based on property statistics as of September 30, 1999), 21.7% of our properties based on aggregate square footage and 27.2% 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 September 30, 1999, we had ownership interests in 21 joint ventures, limited liability companies or partnerships with third parties, as well as an interest in one unconsolidated entity. As of September 30, 1999, we owned 27 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 current 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 primarily industrial and, to a much lesser extent, certain value-added retail properties. Acquisitions of properties entail risks that investments will fail to perform in accordance with expectations. Estimates of the costs of improvements necessary for us to bring an acquired property up to market standards may prove inaccurate. In addition, there are general investment risks associated with any 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. 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 September 30, 1999, we had total debt outstanding of approximately $1.3 billion including:

- approximately $737.9 million of secured indebtedness (not including unamortized debt premiums) with an average maturity of 5.9 years and a weighted average interest rate of 7.7%;

- approximately $80.0 million outstanding under the secured credit facility related to the Alliance Fund I, with a maturity date of December 1999 and a weighted average interest rate of 6.3%;

- approximately $49.0 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 7.2%.

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 partially repay 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 September 30, 1999, we had $49.0 million outstanding under our unsecured 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 September 30, 1999, we had 16 non-recourse secured loans which are cross-collateralized by 18 properties. As of September 30, 1999, we had $215.7 million (not including unamortized debt premium) outstanding on these loans. 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 three of the properties was subject to the consent of one of our joint venture partners, which did not consent to the sale of these properties. As a result, the price with respect to the 25 remaining properties, totaling approximately 4.3 million square feet, is approximately $560.3 million. We intend to dispose of the remaining 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. The divestitures resulted in an aggregate gain of approximately $33.1 million and an extraordinary loss of approximately $2.9 million, consisting of prepayment penalties with an offset for the write-off of debt premiums related to the indebtedness extinguished. We currently expect the third transaction to close on or about December 1, 1999.

Although the remaining transaction with BPP Retail does not have 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.

We intend to use the proceeds of approximately $107.1 million from the divestiture of the remaining four retail centers to BPP Retail in the third transaction to partially repay amounts outstanding under our unsecured credit facility, to pay transaction expenses, for potential acquisitions and for general corporate purposes.

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 five of these properties, either on an individual or portfolio basis, or our interest in the joint venture which holds one of the five properties.

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 September 30, 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 September 30, 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 September 30, 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 November 1, 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 19.7% 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 November 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, Series D Preferred Stock and Series E 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, Series E 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 current 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 an outstanding 4,532,584 common limited partnership units to date. As of September 30, 1999, AMB has reserved 8,776,280 shares of common stock for issuance under its Stock Option and Incentive Plan (not including shares that AMB has already issued) and, as of September 30, 1999, has granted to certain directors, officers and employees options to purchase 4,576,249 shares of common stock (not including forfeitures and 25,000 shares that AMB has issued pursuant to the exercise of options). To date, AMB has granted 148,720 restricted shares of common stock, 1,633 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.

We have formed a limited liability company with AIG to acquire, develop, manage and operate environmentally impaired properties in target markets nationwide. The operating partnership is the managing member of this venture. Each of AIG and the operating partnership has committed $50 million to this venture. This venture currently intends to invest primarily in industrial properties located near major airports, ports and in-fill areas with known and quantifiable environmental issues, as well as, to a more limited extent, well-located, value-added retail properties. Environmental issues for each property are evaluated and quantified prior to acquisition. Phase I environmental assessments are performed on the property; Phase II testing is completed, if necessary, to supplement existing environmental data on the property; and detailed remedial cost estimates are prepared by independent third

party engineers. AMB's and AIG's risk management teams then review the various environmental reports and determine whether the property is appropriate for acquisition. The costs of environmental investigation, clean-up and monitoring are underwritten into the cost of the acquisition and appropriate environmental insurance is obtained for the property.

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 elected to be taxed as a real estate investment trust under Sections 856 through 860 of the Internal Revenue Code commencing with its taxable year ended December 31, 1997. AMB currently intends to operate so as to qualify as a real estate investment trust under the Internal Revenue Code and believes that its current organization and method of operation comply with the rules and regulations promulgated under the Internal Revenue Code to enable it to continue to qualify as a real estate investment trust. 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. In connection with recent property acquisitions, we acquired partnership interests and may have inadvertently acquired the voting securities of shell corporations in violation of the 10% asset test at March 31, 1999. However, while no assurance can be given, based on the advice of counsel in the relevant jurisdiction and other factors, we do not believe that we have in fact violated this test or that we would lose our status as a real estate investment trust as a result of this matter. If the value of our investments in early-stage companies (as discussed below), either individually or in the aggregate, appreciate significantly, it may adversely affect our ability to continue to qualify as a real estate investment trust, unless we are able to restructure or dispose of our holdings on a timely basis.

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.

WE MAY INVEST IN HIGHLY SPECULATIVE EARLY-STAGE COMPANIES IN WHICH WE MAY LOSE OUR ENTIRE INVESTMENT OR WHICH MAY JEOPARDIZE OUR STATUS AS A REAL ESTATE INVESTMENT TRUST

From time to time, we may invest in early-stage companies that we believe will enhance our understanding of changes occurring in the movement of goods, which may, in turn, sharpen our real estate investment focus, create real estate provider relationships with growth companies and provide the potential for significant returns on invested capital. We currently expect that each of these investments will generally be in the amount of $5.0 million or less. As a result, we believe that the amounts of our investments in early-stage companies are immaterial, both individually and in the aggregate. However, these investments are highly speculative and it is possible that we may lose our entire investment in an early-stage company. We believe that our investments in these companies have been structured so that we currently qualify as a real estate investment trust under the Internal Revenue Code. However, if the value of these investments, either individually or in the aggregate, appreciate significantly, it may adversely affect our ability to continue to qualify as a real estate investment trust, unless we are able to restructure or dispose of our holdings on a timely

basis. To date, we have invested approximately $6.0 million in early-stage companies. One of these investments, in an initial amount of $5.0 million, has appreciated to a current market value in excess of $50.0 million, if it was freely tradable. See "-- AMB's Failure to Qualify as a Real Estate Investment Trust Would Have Serious Adverse Consequences 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 have been sold to, or 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>
3.1 | Articles Supplementary establishing and fixing the rights and preferences of the 7.75% Series E Cumulative Preferred Stock (incorporated by reference to Exhibit 3.1 of the Registrant's Current Report on Form 8-K filed on September 14, 1999).
10.1 | Registration Rights Agreement, dated August 31, 1999 (incorporated by reference to Exhibit 10.1 of the Registrant's Current Report on Form 8-K filed on September 14, 1999).
10.2 | Fifth Amended and Restated Agreement of Limited Partnership of AMB Property II, L.P., dated August 31, 1999 (incorporated by reference to Exhibit 10.2 of the Registrant's Current Report on Form 8-K filed on September 14, 1999).
10.3 | Credit Agreement, dated as of September 27, 1999, by and among AMB Institutional Alliance Fund I, L.P., AMB Institutional Alliance REIT I, Inc., the Lenders and Issuing Bank party thereto, BT Realty Resources, Inc. and The Chase

Manhattan Bank.
27.1 Financial Data Schedule -- AMB Property Corporation.
</TABLE>

(b) Reports on Form 8-K:

- AMB filed a Current Report on From 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.

- AMB filed a Current Report on Form 8-K on August 19, 1999, regarding the closing of the second transaction with BPP Retail, LLC.

- AMB filed a Current Report on Form 8-K on September 14, 1999, regarding the issuance and sale of 220,440 7.75% Series E Cumulative Redeemable Preferred Limited Partnership Units by AMB Property II, L.P. in a private placement transaction.

- AMB filed a Current Report on Form 8-K on October 15, 1999, regarding the acquisition of certain properties during 1999.

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: November 12, 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

<TABLE>
<CAPTION>
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27.1 Financial Data Schedule -- AMB Property Corporation.
</TABLE>

EXHIBIT 10.3

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CREDIT AGREEMENT

dated as of

September 27, 1999,

among

AMB INSTITUTIONAL ALLIANCE FUND I, L.P., as Borrower,

AMB INSTITUTIONAL ALLIANCE REIT I, INC.,

The Lenders and the Issuing Bank Party Hereto,

THE CHASE MANHATTAN BANK,
as Syndication Agent,

BT REALTY RESOURCES, INC.,
as Administrative Agent,

and

THE CHASE MANHATTAN BANK,
as Agent

CHASE SECURITIES INC. and DEUTSCHE BANK SECURITIES INC.,
as Joint Arrangers/Joint Book Managers

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CREDIT AGREEMENT dated as of September 27, 1999, among AMB INSTITUTIONAL ALLIANCE FUND I, L.P., a Delaware limited partnership, AMB INSTITUTIONAL ALLIANCE REIT I, INC., a Maryland corporation, the LENDERS and the ISSUING BANK party hereto, THE CHASE MANHATTAN BANK, as Syndication Agent, BT REALTY RESOURCES, INC., as Administrative Agent, and THE CHASE MANHATTAN BANK, as Agent.

The parties hereto agree as follows:

Article I

DEFINITIONS

Section 1.01 Defined Terms.

As used in this Agreement, the following terms have the meanings specified below:

"ABR", when used in reference to any Loan or Borrowing, refers to whether such Loan, or the Loans comprising such Borrowing, are bearing interest at a rate determined by reference to the Alternate Base Rate.

"Accounting Changes" means any changes in accounting principles (a) required by GAAP and implemented by any Credit Party, (b) recommended by any Credit Party's certified public accountants, or (c) caused by a change in the organizational structure of any Credit Party or its subsidiaries which results in any change in liabilities for taxes.

"Acquisition Certificate" means a certificate, substantially in the form of Exhibit I, of an officer or other authorized representative of the Borrower.

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

"Adjusted LIBO Rate" means, with respect to any Eurodollar Borrowing for any Interest Period, an interest rate per annum (rounded upwards, if necessary, to the next 1/16 of 1%) equal to (a) the LIBO Rate for such Interest Period multiplied by (b) the Statutory Reserve Rate.

"Administrative Agent" means BT Realty Resources, Inc., in its capacity as administrative agent hereunder.

"Administrative Questionnaire" means an Administrative

Questionnaire in a form supplied by the Agent.

"Affiliate" means, with respect to a specified Person, another Person that directly, or indirectly through one or more intermediaries, Controls or is Controlled by or is under common Control with the Person specified.

"Agent" means The Chase Manhattan Bank, in its capacity as agent for the Lenders hereunder.

"Agents" means the Administrative Agent, the Agent, and the Syndication Agent.

"Agreement" means this Credit Agreement.

"Alternate Base Rate" means, for any day, a rate per annum equal to the greater of (a) the Prime Rate in effect on such day or (b) the Federal Funds Effective Rate in effect on such day plus 0.50% (50 basis points). Any change in the Alternate Base Rate due to a change in the Prime Rate or the Federal Funds Effective Rate shall be effective from and including the effective date of such change in the Prime Rate or the Federal Funds Effective Rate, respectively.

"AMB REIT" means AMB Property Corporation, a Maryland corporation.

"Annual Valuation Period" has the meaning given thereto in Section (d)(5)(ii) of the Plan Asset Regulation.

"Applicable Percentage" means, with respect to any Lender, the percentage of the total Commitments represented by such Lender's Commitment. If the Commitments have terminated or expired, the Applicable Percentages shall be determined based upon the Commitments most recently in effect, giving effect to any assignments.

"Applicable Rate" means, for a Eurodollar Loan, 0.875% (87.5 basis points) per annum.

"Applicable Requirement" means (a) for any Included Investor that is a bank holding company, (i) Adequately Capitalized status or better and (ii) a long term senior unsecured indebtedness rating of BBB+ or better by S&P (if rated by S&P) and Baa1 or better by Moody's (if rated by Moody's); (b) for any Included Investor that is an insurance company, a long term senior unsecured indebtedness rating of BBB+ or better by S&P (if rated by S&P) and Baa1 or better by Moody's (if rated by Moody's) or a claims-paying ability rating of not less than A+ or better by S&P (if rated by S&P) and A1 or better by Moody's (if rated by Moody's); or (c) for any Included Investor that is an ERISA Investor, or the trustee or nominee of an ERISA Investor, (i) the Sponsor of such ERISA Investor has a long term senior unsecured indebtedness rating of BBB+ or better by S&P (if rated by S&P) and Baa1 or better by Moody's (if rated by Moody's), and (ii) each Plan funded by the ERISA Investor which is a defined benefit pension plan has a minimum Funding Ratio equal to the Minimum Funding Ratio Percentage (an Investor that is an ERISA Investor, or the trustee or nominee of an ERISA Investor, shall be deemed to have met the foregoing rating requirements if such ERISA Investor's Sponsor meets the rating requirements set forth in clause (a)(ii)); and (d) an Investor that is a Governmental Plan Investor, or the Responsible Party with respect to such Governmental Plan Investor, shall be deemed to have met the foregoing rating requirements if the Responsible Party meets the rating

requirements set forth in clause (a)(ii); and (e) an Investor that is an Endowment Fund Investor shall be deemed to have met the foregoing rating requirements if such Endowment Fund Investor's Sponsor meets the rating requirements set forth in clause (a)(ii) above, and unless such Sponsor is a party to the Subscription Agreement of such Endowment Fund Investor and jointly and severally liable for such Endowment Fund Investor's Capital Commitment, such Sponsor guarantees the obligations of the Endowment Fund Investor to make its Capital Commitment pursuant to an unconditional guaranty in form and substance satisfactory to the Agent; and (f) an unrated or lower rated Investor that is a subsidiary of an entity that satisfies the foregoing rating requirements (a "Rated Entity") shall be deemed to have satisfied the foregoing rating requirements if the Rated Entity guarantees the obligations of such Investor to fund its Capital Commitments pursuant to an unconditional guaranty of such Rated Entity in form and substance satisfactory to the Agent. In addition to the foregoing rating requirements, (1) neither an ERISA Investor nor the trustee or nominee of an ERISA Investor, and (2) neither a Governmental Plan Investor nor the Responsible Party with respect to such Governmental Plan Investor will, if such entity is a defined benefit plan, have satisfied the Applicable Requirement unless it has a minimum Funding Ratio for the pension fund of at least the Minimum Funding Ratio Percentage.

"Articles of Incorporation" means the Articles of Amendment and

Restatement of the Investor REIT dated as of September 24, 1999, as the same may be further amended, restated, supplemented or otherwise modified from time to time with the consent of the Agent, the Issuing Bank, and the Lenders to the extent expressly required hereby.

"Assignment and Acceptance" means an assignment and acceptance entered into by a Lender and an assignee (with the consent of any party whose consent is required by Section 9.04), and accepted by the Agent, in the form of Exhibit A or any other form approved by the Agent.

"Availability Period" means the period from and including the Effective Date to but excluding the Termination Date.

"Available Borrowing Amount" means, at any time, an amount equal to the lesser of (i) the total Commitments, as such Commitments may be reduced from time to time pursuant to the provisions of this Agreement, and (ii) an amount equal to the lesser of (x) 90% (ninety percent) (75% (seventy-five percent) in the case of the Special Bridge Loan Investors) of the aggregate Unpaid Capital Obligations of all Included Investors, and (y) $80,000,000.00.

"Bankruptcy Code" means Title 11 of the United States Code, entitled "Bankruptcy", as amended from time to time, and any successor statute or statutes.

"Board" means the Board of Governors of the Federal Reserve System of the United States of America.

"Borrower" means AMB Institutional Alliance Fund I, L.P., a Delaware limited partnership.

"Borrowing" means (a) a borrowing of Loans of the same Type, made, converted or continued on the same date and, in the case of Eurodollar Loans, as to which a single Interest Period is in effect, or (b) the issuance of a Letter of Credit hereunder.

"Borrowing Request" means a request by the Borrower for a Borrowing in accordance with Section 2.03.

"BT" means BT Realty Resources, Inc., in its individual capacity.

"Business Day" means any day that is not a Saturday, Sunday or other day on which commercial banks in New York City are authorized or required by law to remain closed; provided that, when used in connection with a Eurodollar Loan, the term "Business Day" shall also exclude any day on which banks are not open for dealings in dollar deposits in the London interbank market.

"Capital Call" means a call upon the Investors to fund all or any portion of the Capital Commitments pursuant to and in accordance with their respective Subscription Agreements and the Articles of Incorporation.

"Capital Commitments" means the commitment of each Investor to fund Capital Contributions to the Investor REIT in the amount set forth in, and pursuant to the terms of, such Investor's Subscription Agreement and the Articles of Incorporation (including any commitment in respect of any Capital Contribution which is refunded and is subject to recall).

"Capital Contribution" means the payment by an Investor of the Purchase Price (as defined in such Investor's Subscription Agreement) for shares of capital stock of the Investor REIT.

"Capital Demand Notice" means any notice sent to Investors in connection with a Capital Call.

"Capital Lease Obligations" of any Person means the obligations of such Person to pay rent or other amounts under any lease of (or other arrangement conveying the right to use) real or personal property, or a combination thereof, which obligations are required to be classified and accounted for as capital leases on a balance sheet of such Person under GAAP, and the amount of such obligations shall be the capitalized amount thereof determined in accordance with GAAP.

"Cash Collateral Agreement" means the Cash Collateral Account, Security, Pledge and Assignment Agreement, substantially in the form of Exhibit E, between the Investor REIT and the Agent.

"Change of Control" means the occurrence of any one or more of the following events: (i) the Managing GP shall cease to Control the Borrower or the Special GP; (ii) AMB REIT shall cease to Control the Managing GP or shall cease to own at least a majority of the outstanding interests in the Managing GP; (iii) AMB REIT shall acquire actual knowledge that any person or group (as such terms are used in Sections 13(d) and 14(d)(2) of the Exchange Act)

is or becomes the beneficial owner (as defined under Rule 13d-3 of the Exchange Act), directly or indirectly, of securities of AMB REIT representing more than 50% (fifty percent) of the combined voting power of AMB REIT's then outstanding securities having the right to vote in an election of the Board of Directors of AMB REIT; (iv) AMB REIT's stockholders shall approve a merger or consolidation of AMB REIT with or into another Person (other than a merger in which AMB REIT is the surviving corporation) or a plan of liquidation or dissolution of AMB REIT; or (v) more than 50% (fifty percent) of the members of the Board of Directors of AMB REIT shall not be Continuing Directors (as hereinafter defined). For purposes of this definition, "Continuing Directors" shall mean the members of the Board of Directors of AMB REIT listed on Schedule 1.01A, and any other individual who becomes a member of the Board of Directors of AMB REIT if his or her election or nomination for election as a director was approved by a vote of at least a majority of the Continuing Directors then in office.

"Change in Law" means (a) the adoption of any law, rule or regulation after the date of this Agreement, (b) any change in any law, rule or regulation or in the interpretation or application thereof by any Governmental Authority after the date of this Agreement or (c) compliance by any Lender or the Issuing Bank (or, for purposes of Section 2.14(b), by any lending office of such Lender or by such Lender's or the Issuing Bank's holding company, if any) with any request, guideline or directive (whether or not having the force of law) of any Governmental Authority made or issued after the date of this Agreement.

"Chase" means The Chase Manhattan Bank, in its individual capacity.

"Code" means the Internal Revenue Code of 1986, as amended from time to time, and any successor statute or statutes.

"Collateral" means all property in which a security interest has been granted or purported or intended to have been granted to the Agent for the benefit of the Secured Parties under any Loan Document.

"Collateral Documents" has the meaning given thereto in Section 2.19(c)(i).

"Commitment" means, with respect to each Lender, the commitment of such Lender to make Loans and to acquire participations in Letters of Credit hereunder, expressed as an amount representing the maximum amount of such Lender's Revolving Credit Exposure hereunder, as such commitment may be (a) reduced from time to time pursuant to this Agreement, or (b) reduced or increased from time to time pursuant to assignments by or to such Lender pursuant to Section 9.04. The initial amount of each Lender's Commitment is set forth on Schedule 2.01, or in the Assignment and Acceptance pursuant to which such Lender shall have assumed its Commitment, as applicable. The initial aggregate amount of the Lenders' Commitments is $80,000,000.00.

"Constituent Documents" means, with respect to any entity, its constituent or organizational documents, including (i) in the case of a limited partnership, its certificate of limited partnership and its limited partnership agreement, (ii) in the case of a limited liability company, its certificate of formation or organization and its operating agreement or limited

liability company agreement, and (iii) in the case of a corporation, its articles or certificate of incorporation and its by-laws.

"Control" means the possession, directly or indirectly, of the power to direct or cause the direction of the management or policies of a Person, whether through the ability to exercise voting power, by contract or otherwise (including the customary powers of a manager or managing member of a limited liability company or a general partner of a limited partnership). "Controlling" and "Controlled" have meanings correlative thereto.

"Control Agreement" means the Control Agreement, substantially in the form of Exhibit F, among the Investor REIT, the Agent, and Chase in its capacity as securities intermediary.

"CSI" means Chase Securities Inc., in its individual capacity.

"Credit Party" means each of the Borrower and the Investor REIT.

"DBSI" means Deutsche Bank Securities Inc., in its individual capacity.

"Deal Party" means each Credit Party, the Managing GP, the Special GP, and AMB REIT.

"Default" means any event or condition which constitutes an Event of Default or which upon notice, lapse of time or both would, unless cured or waived, become an Event of Default.

"Disclosed Matters" means the actions, suits and proceedings and the environmental matters disclosed in Schedule 3.06.

"dollars" or "$" refers to lawful money of the United States of America.

"Effective Date" means the date on which the conditions specified in Section 4.01 are satisfied (or waived in accordance with Section 9.02).

"Endowment Fund Investor" means an Investor that is a wholly owned, tax exempt, public charity subsidiary of a Sponsor, not wholly expendable by such Sponsor on a current basis under the specific terms of all applicable gift instruments, formed for the sole purpose of accepting charitable donations on behalf of such Sponsor and investing the proceeds thereof.

"Environmental Affiliate" means (a) any subsidiary of any Credit Party or (b) any Person otherwise Controlled, directly or indirectly, by any Credit Party, (other than any Person (i) any securities of which have been offered pursuant to registration under the Securities Exchange Act of 1934, or that is an investment company under the Investment Company Act of 1940, and (ii) that is not Controlled directly or indirectly by any Credit Party).

"Environmental Approval" means any permit, license, approval, ruling, variance, exemption or other authorization required under any applicable Environmental Law by a Governmental Authority having jurisdiction.

"Environmental Claim" means, with respect to any Person, any written notice, claim, demand or similar communication against such Person by any Governmental Authority having jurisdiction alleging potential liability for investigatory costs, cleanup costs, governmental response costs, natural resources damage, property damages, personal injuries, fines or penalties arising out of, based on or resulting from (i) the presence, or release into the environment, of any Hazardous Materials at any location, whether or not owned by such Person, or (ii) circumstances forming the basis of any violation of any applicable Environmental Law, in each case as to which there is a reasonable possibility of an adverse determination with respect thereto and which, if adversely determined, is likely to, individually or in the aggregate, have a Material Adverse Effect on any Credit Party.

"Environmental Laws" means all laws, rules, regulations, codes, ordinances, orders, decrees, judgments, injunctions, notices or binding agreements issued, promulgated or entered into by any Governmental Authority, relating in any way to the environment, preservation or reclamation of natural resources, the management, release or threatened release of any Hazardous Material or to health and safety matters.

"Environmental Liability" means any liability, contingent or otherwise (including any liability for damages, costs of environmental remediation, fines, penalties or indemnities), of the Borrower or any Subsidiary directly or indirectly resulting from or based upon (a) violation of any Environmental Law, (b) the generation, use, handling, transportation, storage, treatment or disposal of any Hazardous Materials, (c) exposure to any Hazardous Materials, (d) the release or threatened release of any Hazardous Materials into the environment or (e) any contract, agreement or other consensual arrangement pursuant to which liability is assumed or imposed with respect to any of the foregoing.

"Environmental Lien" means any Lien in favor of any Governmental Authority arising under any Environmental Law.

"ERISA" means the Employee Retirement Income Security Act of 1974, as amended from time to time, and any successor statute or statutes.

"ERISA Affiliate" means any trade or business (whether or not incorporated) that, together with any Credit Party, is treated as a single employer under Section 414(b) or (c) of the Code or, solely for purposes of Section 302 of ERISA and Section 412 of the Code, is treated as a single employer under Section 414 of the Code.

"ERISA Investor" means an Investor that is an "employee benefit plan" (as such term is defined in Section 3(3) of ERISA) trust or custody account (or a master trust or custody account therefor) subject to Title I, Subtitle B, Part 3 of ERISA, a group trust, as described in Revenue Ruling 81-100, or a partnership, commingled account or other fund that is a see-through entity under the Plan Asset Regulation and has a partner, member or other participant that is such an employee benefit plan trust, account or group trust.

"Eurodollar", when used in reference to any Loan or Borrowing, refers to whether such Loan, or the Loans comprising such Borrowing, are bearing interest at a rate determined by reference to the Adjusted LIBO Rate.

"Event of Default" has the meaning given thereto in Article VI.

"Exchange Act" means the Securities Exchange Act of 1934, as amended from time to time, and any successor statute or statutes.

"Excluded Assets" means commercial income-producing Real Estate Assets having an acquisition cost of at least $32,000,000.

"Excluded Taxes" means, with respect to any Agent, any Lender, the Issuing Bank or any other recipient of any payment to be made by or on account of any obligation of any Credit Party hereunder, (a) income or franchise taxes imposed on (or measured by) its net income by the United States of America, or by the jurisdiction under the laws of which such recipient is organized or in which its principal office is located or, in the case of any Lender, in which its applicable lending office is located, (b) any branch profits taxes imposed by the United States of America or any similar tax imposed by any other jurisdiction in which such Credit Party is located and (c) in the case of a Foreign Lender (other than an assignee pursuant to a request by the Borrower under Section 2.18(b)), any withholding tax that is imposed by the United States of America or any jurisdiction thereof on amounts payable to such Foreign Lender at the time such Foreign Lender becomes a party to this Agreement (or designates a new lending office) or is attributable to such Foreign Lender's failure to comply with Section 2.16(e), except to the extent that such Foreign Lender (or its assignor, if any) was entitled, at the time of designation of a new lending office (or assignment), to receive additional amounts from such Credit Party with respect to such withholding tax pursuant to Section 2.16(a).

"Facility" means the credit facility established pursuant to this Agreement, which constitutes a line of credit to the Borrower.

"Federal Funds Effective Rate" means, for any day, the weighted average (rounded upwards, if necessary, to the next 1/100 of 1%) of the rates on overnight Federal funds transactions with members of the Federal Reserve System arranged by Federal funds brokers, as published on the next succeeding Business Day by the Federal Reserve Bank of New York, or, if such rate is not so published for any day that is a Business Day, the average (rounded upwards, if necessary, to the next 1/100 of 1%) of the quotations for such day for such transactions received by the Agent from three Federal funds brokers of recognized standing selected by it.

"Fee Letter" means the letter dated September 21, 1999 among the Borrower, Chase, CSI, BT, and DBSI regarding certain fees payable in connection with the Facility.

"Foreign Lender" means any Lender that is organized under the laws of a jurisdiction other than the United States of America, any State thereof or the District of Columbia. For purposes of this definition, the United States of America, each State thereof and the District of Columbia shall be deemed to constitute a single jurisdiction.

"Funding Ratio" means (a) for a Governmental Plan Investor, the percentage obtained by dividing (i) the total net fair market value of the assets of the plan by (ii) the actuarial present value of the plan's total benefit liabilities, each as reported in such plan's audited financial statements, provided that if such market value funding ratio is not available, the product of (x) the percentage obtained by dividing (i) the total actuarial present value of the assets of the plan by (ii) the actuarial present value of the plan's total benefit liabilities, each as reported in such plan's audited financial statements, and (y) 1.1, and (b) for an ERISA Investor, the funded current liability percentage reported on the more recent of (i) Schedule B to the most recent Form 5500 filed by such plan with the United States Internal Revenue Service, and (ii) the most recent annual report on Form 10-K of the Sponsor of such ERISA Investor.

"GAAP" means generally accepted accounting principles in the United States of America.

"Governmental Authority" means the government of the United States of America, of any other nation or of any political subdivision of any thereof, whether state or local, and any agency, authority, instrumentality, regulatory body, court, central bank or other entity exercising executive, legislative, judicial, taxing, regulatory or administrative powers or functions of or pertaining to government.

"Governmental Plan Investor" means an Investor that is a

governmental plan as defined in Section 3(32) of ERISA.

"Guarantee" of or by any Person (the "guarantor") means any obligation, contingent or otherwise, of the guarantor guaranteeing or having the economic effect of guaranteeing any Indebtedness or other obligation of any other Person (the "primary obligor") in any manner, whether directly or indirectly, and including any obligation of the guarantor, direct or indirect, (a) to purchase or pay (or advance or supply funds for the purchase or payment of) such Indebtedness or other obligation or to purchase (or to advance or supply funds for the purchase of) any security for the payment thereof, (b) to purchase or lease property, securities or services for the purpose of assuring the owner of such Indebtedness or other obligation of the payment thereof, (c) to maintain working capital, equity capital or any other financial statement condition or liquidity of the primary obligor so as to enable the primary obligor to pay such Indebtedness or other obligation or (d) as an account party in respect of any letter of credit or letter of guaranty issued to support such Indebtedness or obligation; provided that the term Guarantee shall not include endorsements for collection or deposit in the ordinary course of business.

"Hazardous Materials" means all explosive or radioactive substances or wastes and all hazardous or toxic substances, wastes or other pollutants, including petroleum or petroleum distillates, asbestos or asbestos containing materials, polychlorinated biphenyls, radon gas, infectious or medical wastes and all other substances or wastes of any nature regulated pursuant to any Environmental Law.

"Included Investors" means those Investors that have delivered to the Agent Investor Letters and Investor Opinions (except that any Investor listed as an "Opinion Waiver Investor" on Schedule 1.01B shall, during the thirty (30) day period commencing on the Effective

Date, be treated for purposes of this definition as if it had delivered an Investor Opinion to the Agent, whether or not it has done so) and (i) that meet, or are deemed to have met, the Applicable Requirement and that are approved as Included Investors, from time to time, by the Agent and the Super-Required Lenders, in writing and in the sole and absolute discretion of the Agent and each such Lender, or (ii) that do not meet, and are not deemed to have met, the Applicable Requirement and that are approved as Included Investors, from time to time, by the Agent and all of the Lenders, in writing and in the sole and absolute discretion of the Agent and each such Lender; provided that any Investor in respect of which an Investor Disqualification Event has occurred shall thereupon no longer be an Included Investor until such time as all Investor Disqualification Events in respect of such Investor shall have been cured and such Investor shall have been approved as an Included Investor in the sole and absolute discretion of the Agent, the Issuing Bank, and all of the Lenders; provided, further, that neither AMB REIT nor its Affiliates shall be an Included Investor. The Included Investors as of the Effective Date are listed on Schedule 1.01B. Each of the Investors listed on such Schedule became an Included Investor as of the Effective Date pursuant to clause (i) rather than clause (ii) of the first sentence of this paragraph, except any Investor listed as a "Guaranty Waiver Investor" on Schedule 1.01B.

"Indebtedness" of any Person means, without duplication, (a) all obligations of such Person for borrowed money or with respect to deposits or advances of any kind, (b) all obligations of such Person evidenced by bonds, debentures, notes or similar instruments, (c) all obligations of such Person upon which interest charges are customarily paid, (d) all obligations of such Person under conditional sale or other title retention agreements relating to property acquired by such Person, (e) all obligations of such Person in respect of the deferred purchase price of property or services (excluding current accounts payable incurred in the ordinary course of business), (f) all Indebtedness of others secured by (or for which the holder of such Indebtedness has an existing right, contingent or otherwise, to be secured by) any Lien on property owned or acquired by such Person, whether or not the Indebtedness secured thereby has been assumed, (g) all Guarantees by such Person of Indebtedness of others, (h) all Capital Lease Obligations of such Person, (i) all obligations, contingent or otherwise, of such Person as an account party in respect of letters of credit and letters of guaranty, or in respect of bankers' acceptances, (j) all net payment obligations, contingent or otherwise, of such Person under Rate Hedging Agreements, and (k) all other contingent obligations of such Person. The Indebtedness of any Person shall include the Indebtedness of any other entity (including any partnership in which such Person is a general partner) to the extent such Person is liable therefor as a result of such Person's ownership interest in or other relationship with such entity, except to the extent the terms of such Indebtedness provide that such Person is not liable therefor.

"Indemnified Taxes" means Taxes other than Excluded Taxes.

"Indemnitee" has the meaning given thereto in Section 9.03(b).

"Interest Election Request" means a request by the Borrower to

convert or continue a Borrowing in accordance with Section 2.06.

"Interest Payment Date" means (a) with respect to any ABR Loan, the last day of each calendar month, and (b) with respect to any Eurodollar Loan, the last day of the Interest Period applicable to the Borrowing of which such Loan is a part and, in the case of a Eurodollar

Borrowing with an Interest Period of more than three months' duration, each day prior to the last day of such Interest Period that occurs at intervals of three months' duration after the first day of such Interest Period.

"Interest Period" means, with respect to any Eurodollar Borrowing, the period commencing on the date of such Borrowing and ending on the numerically corresponding day in the calendar month that is one or two months thereafter, as the Borrower may elect; provided that (i) if any Interest Period would end on a day other than a Business Day, such Interest Period shall be extended to the next succeeding Business Day unless such next succeeding Business Day would fall in the next calendar month, in which case such Interest Period shall end on the next preceding Business Day and (ii) any Interest Period that commences on the last Business Day of a calendar month (or on a day for which there is no numerically corresponding day in the last calendar month of such Interest Period) shall end on the last Business Day of the last calendar month of such Interest Period. For purposes hereof, the date of a Borrowing initially shall be the date on which such Borrowing is made, and thereafter shall be the effective date of the most recent conversion or continuation of such Borrowing.

"Investor" means, from time to time, each shareholder of the Investor REIT.

"Investor Claims" means all debts and liabilities of each Investor, in its capacity as an Investor, to the Investor REIT, whether such debts and liabilities now exist or are hereafter incurred or arise, or whether the obligations of such Investor thereon be direct, contingent, primary, secondary, several, joint or several, or otherwise, and irrespective of whether such debts or liabilities be evidenced by a note, contract, account, or otherwise, and irrespective of the Person or Persons in whose favor such debts or liabilities may, at their inception, have been, or may hereafter be created, or the manner in which they have or may hereafter be acquired by the Investor REIT. "Investor Claims" shall include all rights and claims of the Investor REIT against each Investor under the applicable Subscription Agreement or the Articles of Incorporation.

"Investor Disqualification Event" means, in respect of any Investor, the occurrence of any one or more of the following events:

(i) the Investor or its Sponsor or Responsible Party, if any, shall commence a voluntary case or other proceeding seeking liquidation, reorganization or other relief with respect to itself or its debts under any bankruptcy, insolvency or other similar law now or hereafter in effect or seeking the appointment of a trustee, receiver, liquidator, custodian or other similar official of it or any substantial part of its property, or shall consent to any such relief or to the appointment of or taking possession by any such official in an involuntary case or other proceeding commenced against it, or shall make a general assignment for the benefit of creditors, or shall fail generally to pay its debts as they become due;

(ii) an involuntary case or other proceeding shall be commenced against the Investor or its Sponsor or Responsible Party, if any, seeking liquidation, reorganization or other relief with respect to it or its debts under any bankruptcy, insolvency or other similar law now or hereafter in effect or seeking the appointment of a trustee, receiver, liquidator, custodian or other similar official of it or any substantial part of its property, and such involuntary case or other proceeding shall remain undismissed and unstayed for a period of 90 days; or an order for

relief shall be entered against the Investor under the federal bankruptcy laws as now or hereafter in effect;

(iii) the Investor (A) shall fail to timely fund a Capital Call subject to any notice and time to cure in accordance with the terms of its Subscription Agreement and the Articles of Incorporation, (B) shall repudiate, challenge or declare unenforceable its obligation to fund Capital Commitments, or (C) shall otherwise disaffirm or default under, or breach the terms of, its Subscription Agreement, its Investor Letter, or the Articles of Incorporation;

(iv) the Investor shall be excused from all or a portion of its Capital Commitment as a result of any Change in Law, any release or otherwise;

(v) one or more judgments or decrees in an aggregate amount equal to 15% (fifteen percent) or more of the Investor's net worth shall be entered by a court or courts of competent jurisdiction against the Investor or its Sponsor or Responsible Party, if any (other than any judgment as to which, and only to the extent, a reputable insurance company has acknowledged coverage of such claim in writing or has acknowledged in writing its willingness to defend any such claim under a reservation of rights), and (A) any such judgments or decrees shall not be stayed, discharged, paid, bonded or vacated within thirty (30) days or (B) enforcement proceedings shall be commenced by any creditor on any such judgments or decrees;

(vi) any representation, warranty, certification or statement made by such Investor in its Investor Letter or Subscription Agreement or in any certificate, financial statement or other document delivered pursuant to this Agreement or such documents shall have been false or misleading in any material respect when made;

(vii) any event shall occur which materially adversely affects the ability of the Investor to fulfill its obligations under its Subscription Agreement, its Investor Letter, or the Investor REIT's Constituent Documents;

(viii) the Investor elects any termination of all or a portion of its Capital Commitment (if permitted to do so pursuant to its Subscription Agreement or the Articles of Incorporation) or any dissolution, liquidation or termination of the Investor REIT, in any case without regard to any notice period relating to any such election;

(ix) the Investor Transfers its interest in the Investor REIT; or the Investor's interest in the Investor REIT is subject to any Lien;

(x) the Investor fails to satisfy and maintain the Applicable Requirement; provided that this clause (x) shall not apply to the Special Bridge Loan Investors or to Investors that became Included Investors pursuant to clause (ii) of the definition of the term "Included Investors";

(xi) if the Investor is the funding vehicle for a Plan which is a defined benefit pension plan, a Plan funded by such Investor fails to maintain at all times a Funding Ratio of at least the Minimum Funding Ratio Percentage;

(xii) the Investor fails to deliver to the Investor REIT, within twenty (20) days after notice thereof by the Agent to the Investor REIT, (A) to the extent available, the financial statements of such Investor as of the end of its most recent fiscal year ended at least ninety (90) days prior to such date (reported on by independent public accountants to the extent available), or (B) from time to time upon the request of the Investor REIT at the request of the Agent, a certificate of such Investor setting forth the remaining amount of its Capital Commitment that it is obligated to fund;

(xiii) if the Investor is listed as a "Guaranty Waiver Investor" on Schedule 1.01B, there shall not have been delivered to the Agent within thirty (30) days after the Effective Date a guaranty, in form and substance satisfactory to the Agent, by a Rated Entity of the obligation of such Investor to fund its Capital Commitment; or

(xiv) if the Investor is listed as a "Temporary Foreign Waiver Investor" on Schedule 1.01B, there shall not have been delivered to the Agent within thirty (30) days after the Effective Date any documentation that would have been required in respect of such Investor pursuant to Section 2.19(c)(iii)(B) or (C), as applicable, if such Investor were a Subsequent Investor.

"Investor Letters" means, collectively, the instruments substantially in the form of Exhibit C executed by Investors and delivered to the Agent.

"Investor Opinion" means a written opinion (addressed to the Agents, the Issuing Bank and the Lenders) of counsel to an Investor, substantially in the form of Exhibit J and otherwise acceptable to the Agent, and covering such other matters relating to the Investor, the Loan Documents, the Investor's Constituent Documents, or the Transactions as the Agent or the Required Lenders shall reasonably request.

"Investor REIT" means AMB Institutional Alliance REIT I, Inc., a Maryland corporation.

"Investor REIT Obligations" means all obligations, liabilities and Indebtedness of every nature of the Investor REIT from time to time owing to any Secured Party, under or in connection with this Agreement or any other Loan Document.

"Investors' Commitments Certificate" has the meaning given thereto in Section 5.01(c).

"Issuing Bank" means The Chase Manhattan Bank, in its capacity as the issuer of Letters of Credit hereunder, and its successors in such capacity as provided in Section 2.04(i). The Issuing Bank may, in its discretion, arrange for one or more Letters of Credit to be issued by Affiliates of the Issuing Bank, in which case the term "Issuing Bank" shall include any such Affiliate with respect to Letters of Credit issued by such Affiliate.

"LC Disbursement" means a payment made by the Issuing Bank pursuant to a Letter of Credit.

"LC Exposure" means, at any time, the sum of (a) the aggregate undrawn amount of all outstanding Letters of Credit at such time plus (b) the aggregate amount of all LC Disbursements that have not yet been reimbursed by or on behalf of the Borrower at such time. The LC Exposure of any Lender at any time shall be its Applicable Percentage of the total LC Exposure at such time.

"Lenders" means the Persons listed on Schedule 2.01 and any other Person that shall have become a party hereto pursuant to an Assignment and Acceptance, other than any such Person that ceases to be a party hereto pursuant to an Assignment and Acceptance.

"Letter of Credit" means any letter of credit issued pursuant to this Agreement.

"LIBO Rate" means, with respect to any Eurodollar Borrowing for any Interest Period, the rate appearing on Page 3750 of the Telerate Service (or on any successor or substitute page of such Service, or any successor to or substitute for such Service, providing rate quotations comparable to those currently provided on such page of such Service, as determined by the Agent from time to time for purposes of providing quotations of interest rates applicable to dollar deposits in the London interbank market) at approximately 11:00 a.m., London time, two Business Days prior to the commencement of such Interest Period, as the rate for dollar deposits with a maturity comparable to such Interest Period. In the event that such rate is not available at such time for any reason, then the "LIBO Rate" with respect to such Eurodollar Borrowing for such Interest Period shall be the rate at which dollar deposits of $5,000,000.00 and for a maturity comparable to such Interest Period are offered by the principal London office of the Agent in immediately available funds in the London interbank market at approximately 11:00 a.m., London time, two Business Days prior to the commencement of such Interest Period.

"Lien" means, with respect to any asset, (a) any mortgage, deed of trust, lien (statutory or other), pledge, hypothecation, collateral assignment, encumbrance, deposit arrangement, charge or security interest in, on or of such asset, (b) the interest of a vendor or a lessor under any conditional sale agreement, capital lease or title retention agreement (or any financing lease having substantially the same economic effect as any of the foregoing) relating to such asset, (c) the filing under the Uniform Commercial Code or comparable law of any jurisdiction of any financing statement naming the owner of the asset to which such Lien relates as debtor, (d) any other preferential arrangement of any kind or nature whatsoever intended to assure payment of any Indebtedness or other obligation, and (e) in the case of securities, any purchase option, call or similar right of a third party with respect to such securities.

"Loan Document" means each of this Agreement, the Notes, the Pledge and Security Agreement, the Cash Collateral Agreement, the Control Agreement, the Pledge Agreement, the Recognition Agreement, the Investor Letters, any other Collateral Documents, the Fee Letter, any applications for any Letters of Credit, any other instruments or agreements by any of the Credit Parties or the Investors with or in favor of any or all of the Secured Parties in connection with the Transactions, and any amendments to or waivers of any of the foregoing executed and delivered from time to time.

"Loans" means the loans made by the Lenders to the Borrower pursuant to this Agreement.

"Managing GP " means AMB Property, L.P., a Delaware limited partnership.

"Material Adverse Effect" means a material adverse effect on (a) the business, assets, operations, prospects or condition, financial or otherwise, of the Borrower and the Subsidiaries taken as a whole or of the Investor REIT and its subsidiaries taken as a whole, (b) the ability of any Credit Party to perform any of its respective material obligations under any

Loan Document or (c) the validity or enforceability of any of the Loan Documents or the material rights of or material benefits available to any Secured Party under any Loan Document.

"Maturity Date" means December 15, 1999.

"Minimum Funding Ratio Percentage" means, with respect to a pension plan, the applicable minimum Funding Ratio hereinafter set forth below based upon the rating of its Sponsor or Responsible Party, as the case may be:

<TABLE>
<CAPTION>

Sponsor or Responsible Party Rating	Minimum Funding Ratio
<S>	<C>
A-/A3 or higher	No minimum
BBB+/Baal	90% (ninety percent)

</TABLE>

The first rating indicated in each case above is the S&P rating and the second rating in each case above is the Moody's rating. In the event that there is a discrepancy between the S&P rating and the Moody's rating, the minimum Funding Ratio shall be based upon the lower of the two ratings.

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

"Multiemployer Plan" means a multiemployer plan as defined in Section 4001(a)(3) of ERISA.

"Note" means each promissory note executed and delivered by the Borrower to a Lender pursuant to this Agreement.

"Obligations" means all obligations, liabilities and Indebtedness of every nature of the Borrower from time to time owing to any Secured Party, under or in connection with this Agreement or any other Loan Document.

"Other Taxes" means any and all present or future stamp or documentary taxes or any other excise or property taxes, charges or similar levies arising from any payment made hereunder or from the execution, delivery or enforcement of, or otherwise with respect to, this Agreement.

"Participant" has the meaning given thereto in Section 9.04(e).

"Pending Capital Call" means, at any time, Capital Calls made upon the Investors no more than eighteen (18) days earlier than such time, which Capital Calls have not yet been funded by the applicable Investor.

"Permitted Investments" means

(a) direct obligations of, or obligations the principal of and interest on which are unconditionally guaranteed by, the United States of America (or by any agency thereof to the extent such obligations are backed by the full faith and credit of the United States of America), in each case denominated in dollars and maturing within one year from the date of acquisition thereof;

(b) investments in commercial paper denominated in dollars and maturing within 270 days from the date of acquisition thereof and having, at such date of acquisition, the highest credit rating obtainable from S&P or from Moody's;

(c) investments denominated in dollars in certificates of deposit, banker's acceptances and time deposits maturing within 180 days from the date of acquisition thereof issued or guaranteed by or placed with, and money market deposit accounts issued or offered by, any domestic office of any commercial bank organized under the laws of the United States of America or any State thereof which has a combined capital and surplus and undivided profits of not less than $500,000,000.00; and

(d) fully collateralized repurchase agreements with a term of not more than 30 days for securities described in clause (a) above and entered into with a financial institution satisfying the criteria described in clause (c) above.

"Permitted Recourse Debt" means Indebtedness permitted under Section 5.09(b).

"Person" means any natural person, corporation, limited liability company, trust, joint venture, association, company, partnership, Governmental Authority or other entity.

"Placement Memorandum" means the Investor REIT's confidential offering memorandum and any supplemental disclosure document provided to Investors.

"Plan" means any employee pension benefit plan (other than a Multiemployer Plan) subject to the provisions of Title IV of ERISA or Section 412 of the Code or Section 302 of ERISA, and in respect of which the Borrower or any ERISA Affiliate is (or, if such plan were terminated, would under Section 4069 of ERISA be deemed to be) an "employer" as defined in Section 3(5) of ERISA.

"Plan Asset Regulation" means Department of Labor Regulation Section 2510.3-101, 29 C.F.R. Section 2510.3-101, and any successor statutory or regulatory provisions.

"Pledge Agreement" means the Pledge and Security Agreement (Interest in Fund), substantially in the form of Exhibit G, between the Investor REIT and the Agent.

"Pledge and Security Agreement" means the Subscription Agreement Pledge and Security Agreement, substantially in the form of Exhibit D, between the Investor REIT and the Agent.

"Portfolio Management Agreement" means the Portfolio Management and Reporting Agreement dated as of September 24, 1999 between the Investor REIT and the Portfolio Manager.

"Portfolio Management Fee" means the Portfolio Management Fee referred to in of the Portfolio Management Agreement.

"Portfolio Manager" means AMB Investment Management Limited Partnership, a Maryland limited partnership.

"Prepayment Account" has the meaning given thereto in Section 2.10(f).

"Prepayment Trigger Date" has the meaning given thereto in Section 2.10(a).

"Prime Rate" means the rate of interest per annum publicly announced from time to time by Chase as its prime rate in effect at its principal office in New York City; each change in the Prime Rate shall be effective from and including the date such change is publicly announced as being effective.

"Rate Hedging Agreement" means any interest rate protection agreement, foreign currency exchange agreement, or other interest or currency exchange rate hedging arrangement.

"Real Estate Asset" means a fee interest in real property owned by the Borrower or a Subsidiary or a leasehold interest of the Borrower or a Subsidiary in real property.

"Real Estate Interests" means, collectively, equity or debt interests in real estate or in securities or other interests related to real estate, including land or improvements thereon or participating as a partner, member, shareholder, owner or other investor in general or limited partnerships, joint ventures, limited liability companies, corporations, trusts or other entities the business of which is related to real estate.

"Recognition Agreement" means the Recognition Agreement, substantially in the form of Exhibit H, among the Borrower, the Managing GP, the Special GP, the Investor REIT and the Agent.

"Register" has the meaning given thereto in Section 9.04.

"Related Parties" means, with respect to any specified Person, such Person's Affiliates and the respective directors, officers, employees, agents and advisors of such Person and such Person's Affiliates.

"REOC" means a "real estate operating company" within the meaning of Section 2510.3-101(e) of the Plan Asset Regulation.

"Required Lenders" means, at any time, Lenders having Revolving Credit Exposures and unused Commitments representing more than 50% (fifty percent) of the sum of the total Revolving Credit Exposures and unused Commitments at such time.

"Responsible Officer" means, (i) in the case of AMB REIT, its

President or any Vice President (and, in any case where two Responsible Officers are acting on behalf of AMB REIT, the second such Responsible Officer may also be the Secretary or an Assistant Secretary of AMB REIT), (ii) in the case of the Managing GP, any individual described in the foregoing clause (i) acting on behalf of AMB REIT in its capacity as sole general partner of the Managing GP, (iii) in the case of the Borrower, any individual described in the foregoing clause (i) acting on behalf of AMB REIT in its capacity as the sole general partner of the Managing GP in its capacity as managing general partner of the Borrower, and (iv) in the case of the Investor REIT, its President or any Vice President (and, in any case where two Responsible Officers are acting on behalf of the Investor REIT, the second such Responsible Officer may also be the Secretary or an Assistant Secretary of the Investor REIT).

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

"Revolving Credit Exposure" means, with respect to any Lender at any time, the sum of the outstanding principal amount of such Lender's Loans and its LC Exposure at such time.

"S&P" means Standard & Poor's Rating Services.

"Secured Parties" means each of the Lenders, the Agents, and the Issuing Bank.

"Solvent" means, as to any Person, that such Person is not "insolvent" within the meaning of Section 101(32) of the Bankruptcy Code or Section 271 of the Debtor and Creditor Law of the State of New York.

"Special Bridge Loan Investors" means each of the Investors listed as a "Special Bridge Loan Investor" on Schedule 1.01B, and each other Investor (if any) approved in writing as a Special Bridge Loan Investor by the Agent, the Issuing Bank and the Lenders in their sole and absolute discretion.

"Special GP" means AMB Fund Special GP, LLC, a Delaware limited liability company.

"Sponsor" means, (i) for any ERISA Investor, a sponsor as that term is understood under ERISA, specifically, the entity that established the plan and is responsible for the maintenance of the plan and, in the case of a plan that has a sponsor and participating employers, the entity that has the ability to amend or terminate the plan, and (ii) for any Endowment Fund Investor, the state chartered, "not-for-profit" university or college that has established such fund for its exclusive use and benefit. As used herein, the term "not-for-profit" means an entity formed not for pecuniary profit or financial gain and for which no part of its assets, income or profit is distributable to, or inures to the benefit of, its members, directors or officers.

"Statutory Reserve Rate" means a fraction (expressed as a decimal), the numerator of which is the number one and the denominator of which is the number one minus the aggregate of the maximum reserve percentages (including any marginal, special, emergency or supplemental reserves) expressed as a decimal established by the Board to which the Agent is subject, with respect to the Adjusted LIBO Rate, for eurocurrency funding (currently referred to as "Eurocurrency Liabilities" in Regulation D of the Board). Such reserve percentages shall include those imposed pursuant to such Regulation D. Eurodollar Loans shall be deemed to constitute eurocurrency funding and to be subject to such reserve requirements without benefit of or credit for proration, exemptions or offsets that may be available from time to time to any Lender under such Regulation D or any comparable regulation. The Statutory Reserve Rate shall be adjusted automatically on and as of the effective date of any change in any reserve percentage.

"Subscription Account" means a collateral account(s) established by the Investor REIT at The Chase Manhattan Bank, pursuant to the Cash Collateral Agreement.

"Subscription Agreements" means, collectively, the Subscription Agreements or related subscription documents, executed by the Investor REIT and each Investor, respectively, as purchaser, in connection with the Investor's purchase of shares of capital stock of the Investor REIT.

"Subsequent Investors" means Investors executing Subscription Agreements after the date hereof who were not Investors (or in respect of shares of capital stock of the Investor REIT not owned or committed to purchase) as of the Effective Date.

"subsidiary" means, with respect to any Person (the "parent") at

any date, any corporation, limited liability company, partnership, association or other entity the accounts of which would be consolidated with those of the parent in the parent's consolidated financial statements if such financial statements were prepared in accordance with GAAP as of such date, as well as any other corporation, limited liability company, partnership, association or other entity (a) of which securities or other ownership interests representing more than 50% (fifty percent) of the equity or more than 50% (fifty percent) of the ordinary voting power or, in the case of a partnership, more than 50% (fifty percent) of the general partnership interests are, as of such date, owned, controlled or held, or (b) that is, as of such date, otherwise Controlled, by the parent or one or more subsidiaries of the parent or by the parent and one or more subsidiaries of the parent.

"Subsidiary" means any subsidiary of the Borrower.

"Super-Required Lenders" means, at any time, Lenders having Revolving Credit Exposures and unused Commitments representing more than 66-2/3% (sixty-six and two-thirds percent) of the sum of the total Revolving Credit Exposures and unused Commitments at such time.

"Syndication Agent" means The Chase Manhattan Bank, in its capacity as syndication agent hereunder.

"Taxes" means any and all present or future taxes, levies, imposts, duties, deductions, charges or withholdings imposed by any Governmental Authority.

"Termination Date" means the date that is the earliest to occur of (i) the Maturity Date, (ii) the date which is ninety (90) days after the Effective Date, (iii) the date which is the "Permanent Loan Closing Date" referred to in the Fee Letter, (iv) the date which is sixty (60) days prior to the end of the scheduled period during which Investors are obligated to contribute capital pursuant to their Subscription Agreements and the Investor REIT's Constituent Documents, (v) the date on which the Capital Commitments of the Investors shall be terminated or otherwise reduced to zero, (vi) the date on which the Commitments hereunder shall be terminated or otherwise permanently reduced to zero, or (vii) the date on which the Loans shall become due and payable hereunder by acceleration or mandatory prepayment in full.

"Transactions" means the execution, delivery and performance by the Portfolio Manager and Deal Parties of the Loan Documents to which they are parties, the borrowing of Loans, the use of the proceeds thereof, the issuance of Letters of Credit hereunder, the granting of collateral under the Loan Documents, the execution, delivery and performance by the Investor REIT of the Subscription Agreements, and the execution, delivery and performance by the Investors of their respective Investor Letters.

"Transfer" and "Transferor" have the respective meanings given thereto in Section 5.19(b).

"Type", when used in reference to any Loan or Borrowing, refers to whether the rate of interest on such Loan, or on the Loans comprising such Borrowing, is determined by reference to the Adjusted LIBO Rate, or the Alternate Base Rate.

"Unpaid Capital Obligations" means, collectively for all of the Investors at any time, an amount equal to (x) the total Capital Commitments (including amounts which are subject to any Pending Capital Call) less (y) the aggregate Capital Calls made upon the Investors regardless of whether the Investors have actually funded all such Capital Calls, but not including in this clause (y) Pending Capital Calls.

"VCOC" means a "venture capital operating company" within the meaning of Section 2510.3-101(d) of the Plan Asset Regulation.

SECTION 1.02 Classification of Loans and Borrowings.

For purposes of this Agreement, Loans may be classified and referred to by Type (e.g., a "Eurodollar Loan" or a "Eurodollar Borrowing").

SECTION 1.03 Terms Generally.

The definitions of terms herein shall apply equally to the singular and plural forms of the terms defined. Whenever the context may require, any pronoun shall include the corresponding masculine, feminine and neuter forms. The words "include", "includes" and "including" shall be deemed to be followed by the phrase "without limitation". The word "will" shall be construed to have the same meaning and effect as the word "shall". Unless the context

requires otherwise (a) any definition of or reference to any agreement, instrument or other document herein shall be construed as referring to such agreement, instrument or other document as from time to time amended, supplemented or otherwise modified (subject to any restrictions on such amendments, supplements or modifications set forth herein), (b) any reference herein to any Person shall be construed to include such Person's successors and assigns, (c) the words "herein", "hereof" and "hereunder", and words of similar import, shall be construed to refer to this Agreement in its entirety and not to any particular provision hereof, (d) all references herein to Articles, Sections, Exhibits and Schedules shall be construed to refer to Articles and Sections of, and Exhibits and Schedules to, this Agreement and (e) the words "asset" and "property" shall be construed to have the same meaning and effect and to refer to any and all tangible and intangible assets and properties, including cash, securities, accounts and contract rights.

SECTION 1.04 Accounting Terms; GAAP.

Except as otherwise expressly provided herein, all terms of an accounting or financial nature shall be construed in accordance with GAAP, as in effect from time to time. In the event that any Accounting Changes shall occur and such changes affect the financial covenants, standards or terms contained in this Agreement, then the Credit Parties and Lenders agree to enter into negotiations in order to amend such provisions of this Agreement, so as to equitably reflect such Accounting Changes with the desired result that the criteria for evaluating the financial condition of the Credit Parties shall be the same after such Accounting Changes as if such Accounting Changes had not been made, and until such time as such an amendment shall have been executed and delivered by the Credit Parties and the Required Lenders, (a) all financial covenants, standards and terms in this Agreement shall be calculated and/or construed as if such Accounting Changes had not been made, and (b) the Credit Parties shall prepare footnotes to each compliance certificate and the financial statements required to be delivered hereunder that show the differences between the financial statements delivered (which reflect such Accounting Changes) and the basis for calculating financial covenant compliance (without reflecting such Accounting Changes).

ARTICLE II

THE CREDITS

SECTION 2.01 Commitments.

Subject to the terms and conditions set forth herein, each Lender agrees to make Loans to the Borrower from time to time during the Availability Period in an aggregate principal amount that will not result in (a) such Lender's Revolving Credit Exposure exceeding such Lender's Commitment or (b) the total Revolving Credit Exposures exceeding the Available Borrowing Amount. Within the foregoing limits and subject to the terms and conditions set forth herein, the Borrower may borrow, prepay and reborrow Loans.

SECTION 2.02 Loans and Borrowings.

(a) Each Loan shall be made as part of a Borrowing consisting of Loans made by the Lenders ratably in accordance with their respective Commitments. The failure of any Lender

to make any Loan required to be made by it shall not relieve any other Lender of its obligations hereunder; provided that the Commitments of the Lenders are several and no Lender shall be responsible for any other Lender's failure to make Loans as required.

(b) Subject to Section 2.13, each Borrowing shall be comprised entirely of ABR Loans or Eurodollar Loans as the Borrower may request in accordance herewith. Each Lender at its option may make any Eurodollar Loan by causing any domestic or foreign branch or Affiliate of such Lender to make such Loan; provided that any exercise of such option shall not affect the obligation of the Borrower to repay such Loan in accordance with the terms of this Agreement.

(c) At the commencement of each Interest Period for any Eurodollar Borrowing, such Borrowing shall be in an aggregate amount that is an integral multiple of $100,000.00 and not less than $1,000,000.00. At the time that each ABR Borrowing is made, such Borrowing shall be in an aggregate amount that is an integral multiple of $100,000.00 and not less than $1,000,000.00; provided that an ABR Borrowing may be in an aggregate amount that is equal to the entire unused balance of the total Commitments or that is required to finance the reimbursement of an LC Disbursement as contemplated by Section 2.04(e). Borrowings of more than one Type may be outstanding at the same time; provided that there shall not at any time be more than a total of eight (8) Eurodollar Borrowings outstanding.

(d) Notwithstanding any other provision of this Agreement, the Borrower shall not be entitled to request, or to elect to convert or continue, any Borrowing if the Interest Period requested with respect thereto would end after the Maturity Date.

SECTION 2.03 Requests for Borrowings.

To request a Borrowing, the Borrower shall notify the Agent of such request by telephone (x) in the case of a Eurodollar Borrowing, not later than 1:00 p.m., New York City time, three Business Days before the date of the proposed Borrowing, or (y) in the case of an ABR Borrowing, not later than 1:00 p.m., New York City time, one Business Day before the date of the proposed Borrowing. Each such telephonic Borrowing Request shall be irrevocable and shall be confirmed promptly by hand delivery or telecopy to the Agent of a written Borrowing Request in a form approved by the Agent and signed by the Borrower. Each such telephonic and written Borrowing Request shall specify the following information in compliance with Section 2.02:

(i) the aggregate amount of the requested Borrowing;

(ii) the date of such Borrowing, which shall be a Business Day;

(iii) whether such Borrowing is to be an ABR Borrowing or a Eurodollar Borrowing;

(iv) in the case of a Eurodollar Borrowing, the initial Interest Period to be applicable thereto, which shall be a period contemplated by the definition of the term "Interest Period";

(v) the location and number of the Borrower's account to which funds are to be disbursed, which shall comply with the requirements of Section 2.05; and

(vi) the Available Borrowing Amount (giving effect to all factors affecting such amount).

If no election as to the Type of Borrowing is specified, then the requested Borrowing shall be an ABR Borrowing. If no Interest Period is specified with respect to any requested Eurodollar Borrowing, then the Borrower shall be deemed to have selected an Interest Period of one month's duration. Promptly following receipt of a Borrowing Request in accordance with this Section, the Agent shall advise each Lender of the details thereof and of the amount of such Lender's Loan to be made as part of the requested Borrowing.

SECTION 2.04 Letters of Credit.

(a) General. NOTWITHSTANDING ANYTHING TO THE CONTRARY CONTAINED IN THIS AGREEMENT (INCLUDING REFERENCES HEREIN TO LETTERS OF CREDIT, LC DISBURSEMENTS, LC EXPOSURE AND THE ISSUING BANK), NO LETTER OF CREDIT MAY BE REQUESTED OR ISSUED HEREUNDER UNTIL SUCH TIME, IF ANY, AS ALL OF THE PARTIES HERETO SHALL SO AGREE IN WRITING IN THEIR SOLE AND ABSOLUTE DISCRETION. Subject to the terms and conditions set forth herein, the Borrower may request the issuance of Letters of Credit for its own account, in a form reasonably acceptable to the Agent and the Issuing Bank, at any time and from time to time during the Availability Period other than the last thirty (30) days prior to the Maturity Date. In the event of any inconsistency between the terms and conditions of this Agreement and the terms and conditions of any form of letter of credit application or other agreement submitted by the Borrower to, or entered into by the Borrower with, the Issuing Bank relating to any Letter of Credit, the terms and conditions of this Agreement shall control.

(b) Notice of Issuance, Amendment, Renewal, Extension; Certain Conditions. To request the issuance of a Letter of Credit (or the amendment, renewal or extension of an outstanding Letter of Credit), the Borrower shall hand deliver or telecopy (or transmit by electronic communication, if arrangements for doing so have been approved by the Issuing Bank) to the Issuing Bank and the Agent (reasonably in advance of the requested date of issuance, amendment, renewal or extension) a notice requesting the issuance of a Letter of Credit, or identifying the Letter of Credit to be amended, renewed or extended, the date of issuance, amendment, renewal or extension, the date on which such Letter of Credit is to expire (which shall comply with paragraph (c) of this Section), the amount of such Letter of Credit, the name and address of the beneficiary thereof, such information as is required under Section 2.03 in connection with a Borrowing, and such other information as shall be necessary to prepare, amend, renew or extend such Letter of Credit. If requested by the Issuing Bank, the Borrower also shall submit a letter of credit application on the Issuing Bank's standard form in connection with any request for a Letter of Credit. A Letter of Credit shall be issued, amended, renewed or extended only if (and upon issuance, amendment, renewal or extension of each Letter of Credit the Borrower shall be deemed to represent and warrant that), after giving effect to

such issuance, amendment, renewal or extension (i) the LC Exposure shall not exceed $30,000,000.00 and (ii) the total Revolving Credit Exposures shall not exceed the Available Borrowing Amount. Each

Letter of Credit shall have a stated amount of at least $1,000,000.00. The Issuing Bank shall give the Borrower a copy of, and give the Agent reasonably prompt notice of the issuance of, each Letter of Credit (or the amendment, renewal or extension of an outstanding Letter of Credit), and the Agent, in turn, shall give reasonably prompt notice thereof to the Lenders.

(c) Expiration Date. Each Letter of Credit shall expire at or prior to the close of business on a date that is at least thirty (30) days prior to the Maturity Date.

(d) Participations. By the issuance of a Letter of Credit (or an amendment to a Letter of Credit increasing the amount thereof) and without any further action on the part of the Issuing Bank or the Lenders, the Issuing Bank hereby grants to each Lender, and each Lender hereby acquires from the Issuing Bank, a participation in such Letter of Credit equal to such Lender's Applicable Percentage of the aggregate amount available to be drawn under such Letter of Credit. In consideration and in furtherance of the foregoing, each Lender hereby absolutely and unconditionally agrees to pay to the Agent, for the account of the Issuing Bank, such Lender's Applicable Percentage of each LC Disbursement made by the Issuing Bank and not reimbursed by the Borrower on the date due as provided in paragraph (e) of this Section, or of any reimbursement payment required to be refunded to the Borrower for any reason. Each Lender acknowledges and agrees that its obligation to acquire participations pursuant to this paragraph in respect of Letters of Credit is absolute and unconditional and shall not be affected by any circumstance whatsoever, including any amendment, renewal or extension of any Letter of Credit or the occurrence and continuance of a Default or reduction or termination of the Commitments, and that each such payment shall be made without any offset, abatement, withholding or reduction whatsoever.

(e) Reimbursement. If the Issuing Bank shall make any LC Disbursement in respect of a Letter of Credit, the Borrower shall reimburse such LC Disbursement by paying to the Agent an amount equal to such LC Disbursement not later than 12:00 noon, New York City time, on the date that such LC Disbursement is made, if the Borrower shall have received notice of such LC Disbursement prior to 10:00 a.m., New York City time, on such date, or, if such notice has not been received by the Borrower prior to such time on such date, then not later than 12:00 noon, New York City time, on (i) the Business Day that the Borrower receives such notice, if such notice is received prior to 10:00 a.m., New York City time, on the day of receipt, or (ii) the Business Day immediately following the day that the Borrower receives such notice, if such notice is not received prior to such time on the day of receipt; provided that the Borrower shall conclusively be deemed, subject to the conditions to borrowing set forth herein (including the limitations stated in Section 2.01 and the conditions stated in Section 4.02), to have requested that such payment be financed with an ABR Borrowing in an equivalent amount and, to the extent so financed, the Borrower's obligation to make such payment shall be discharged and replaced by the resulting ABR Loans. If the Borrower fails to make such payment when due, the Agent shall notify each Lender of the applicable LC Disbursement, the payment then due from the Borrower in respect thereof and such Lender's Applicable Percentage thereof. Promptly following receipt of such notice, each Lender shall pay to the Agent its Applicable Percentage of the payment then due from the Borrower, in the same manner as provided in Section 2.05 with respect to Loans made by such Lender (and Section 2.05 shall apply, mutatis mutandis, to the payment obligations of the Lenders), and the Agent shall promptly pay to the Issuing Bank the

amounts so received by it from the Lenders. Promptly following receipt by the Agent of any payment from the Borrower pursuant to this paragraph, the Agent shall distribute such payment to the Issuing Bank or, to the extent that Lenders have made payments pursuant to this paragraph to reimburse the Issuing Bank, then to such Lenders and the Issuing Bank as their interests may appear. Any payment made by a Lender pursuant to this paragraph to reimburse the Issuing Bank for any LC Disbursement (other than the funding of ABR Loans as contemplated above) shall not constitute a Loan and shall not relieve the Borrower of its obligation to reimburse such LC Disbursement.

(f) Obligations Absolute. The Borrower's obligation to reimburse LC Disbursements as provided in paragraph (e) of this Section shall be absolute, unconditional and irrevocable, and shall be performed strictly in accordance with the terms of this Agreement under any and all circumstances whatsoever and irrespective of (i) any lack of validity or enforceability of any Letter of Credit or this Agreement, or any term or provision therein, (ii) any draft or other document presented under a Letter of Credit proving to be forged, fraudulent or invalid in any respect or any statement therein being untrue or

inaccurate in any respect, (iii) payment by the Issuing Bank under a Letter of Credit against presentation of a draft or other document that does not comply with the terms of such Letter of Credit, or (iv) any other event or circumstance whatsoever, whether or not similar to any of the foregoing, that might, but for the provisions of this Section, constitute a legal or equitable discharge of, or provide a right of setoff against, the Borrower's obligations hereunder. None of the Secured Parties nor any of their respective Related Parties, shall have any liability or responsibility by reason of or in connection with the issuance or transfer of any Letter of Credit or any payment or failure to make any payment thereunder (irrespective of any of the circumstances referred to in the preceding sentence), or any error, omission, interruption, loss or delay in transmission or delivery of any draft, notice or other communication under or relating to any Letter of Credit (including any document required to make a drawing thereunder), any error in interpretation of technical terms or any consequence arising from causes beyond the control of the Issuing Bank; provided that the foregoing shall not be construed to excuse the Issuing Bank from liability to the Borrower to the extent of any direct damages (as opposed to consequential damages, claims in respect of which are hereby waived by the Borrower to the extent permitted by applicable law) suffered by the Borrower that are caused by the Issuing Bank's failure to exercise care when determining whether drafts and other documents presented under a Letter of Credit comply with the terms thereof. The parties hereto expressly agree that, in the absence of gross negligence or willful misconduct on the part of the Issuing Bank (as finally determined by a court of competent jurisdiction), the Issuing Bank shall be deemed to have exercised care in each such determination. In furtherance of the foregoing and without limiting the generality thereof, the parties agree that, with respect to documents presented which appear on their face to be in substantial compliance with the terms of a Letter of Credit, the Issuing Bank may, in its sole and absolute discretion, either accept and make payment upon such documents without responsibility for further investigation, regardless of any notice or information to the contrary, or refuse to accept and make payment upon such documents if such documents are not in strict compliance with the terms of such Letter of Credit.

(g) Disbursement Procedures. The Issuing Bank shall, promptly following its receipt thereof, examine all documents purporting to represent a demand for payment under a Letter of Credit. The Issuing Bank shall promptly notify the Agent and the Borrower by

telephone (confirmed by telecopy) of such demand for payment and whether the Issuing Bank has made or will make an LC Disbursement thereunder; provided that any failure to give or delay in giving such notice shall not affect any rights or obligations or create any liabilities.

(h) Interim Interest. If the Issuing Bank shall make any LC Disbursement, then, unless the Borrower shall reimburse such LC Disbursement in full on the date such LC Disbursement is made, the unpaid amount thereof shall bear interest, for each day from and including the date such LC Disbursement is made to but excluding the date that the Borrower reimburses such LC Disbursement, at the rate per annum then applicable to ABR Loans; provided that, if the Borrower fails to reimburse such LC Disbursement when due pursuant to paragraph (e) of this Section, then Section 2.12(c) shall apply. Interest accrued pursuant to this paragraph shall be for the account of the Issuing Bank, except that interest accrued on and after the date of payment by any Lender pursuant to paragraph (e) of this Section to reimburse the Issuing Bank shall be for the account of such Lender to the extent of such payment.

(i) Replacement of the Issuing Bank. The Issuing Bank may be replaced at any time by written agreement among the Borrower, the Agent, the replaced Issuing Bank and the successor Issuing Bank. The Agent shall notify the Lenders of any such replacement of the Issuing Bank. At the time any such replacement shall become effective, the Borrower shall pay all unpaid fees accrued for the account of the replaced Issuing Bank pursuant to Section 2.11(b). From and after the effective date of any such replacement, (i) the successor Issuing Bank shall have all the rights and obligations of the Issuing Bank under this Agreement with respect to Letters of Credit to be issued thereafter and (ii) references herein to the term "Issuing Bank" shall be deemed to refer to such successor or to any previous Issuing Bank, or to such successor and all previous Issuing Banks, as the context shall require. After the replacement of an Issuing Bank hereunder, the replaced Issuing Bank shall remain a party hereto and shall continue to have all the rights and obligations of an Issuing Bank under this Agreement with respect to Letters of Credit issued by it prior to such replacement, but shall not be required to issue additional Letters of Credit.

(j) Cash Collateralization. As provided under Section 6.04 or under the circumstances referred to in Section 2.10(d), the Borrower shall deposit in an account with the Agent, in the name of the Agent and for the benefit of the Secured Parties, an amount in cash, as collateral security for the LC Exposure plus any accrued and unpaid interest thereon, in accordance with Section 2.10(d) or Section 6.04, as applicable. Such deposit shall be held by the Agent as collateral for the payment and performance of the obligations of

the Borrower under this Agreement. The Agent shall have exclusive dominion and control, including the exclusive right of withdrawal, over such account, which account shall be governed by the provisions of Section 6.04.

SECTION 2.05 Funding of Borrowings.

(a) Each Lender shall make each Loan to be made by it hereunder on the proposed date thereof by wire transfer of immediately available funds by 12:00 noon, New York City time, to the account of the Agent most recently designated by it for such purpose by notice to the Lenders. No Lender shall fund any portion of any Loan made by it from any account holding plan assets of any "employee benefit plan" as defined in Section 3(3) of ERISA or "plan"

covered by Section 4975 of the Code. The Agent will make such Loans available to the Borrower by promptly crediting the amounts so received, in like funds, to an account of the Borrower maintained with the Agent in New York City and designated by the Borrower or as otherwise instructed by the Borrower pursuant to instructions acceptable to the Agent, in the applicable Borrowing Request.

(b) Unless the Agent shall have received notice from a Lender prior to the proposed date of any Borrowing that such Lender will not make available to the Agent such Lender's share of such Borrowing, the Agent may assume that such Lender has made such share available on such date in accordance with paragraph (a) of this Section and may, in reliance upon such assumption, make available to the Borrower a corresponding amount. In such event, if a Lender has not in fact made its share of the applicable Borrowing available to the Agent, then the applicable Lender and the Borrower severally agree to pay to the Agent forthwith on demand such corresponding amount with interest thereon, for each day from and including the date such amount is made available to the Borrower to but excluding the date of payment to the Agent, at (i) in the case of such Lender, the greater of the Federal Funds Effective Rate and a rate determined by the Agent in accordance with banking industry rules on interbank compensation or (ii) in the case of the Borrower, the interest rate applicable to ABR Loans. If such Lender pays such amount to the Agent, then such amount shall constitute such Lender's Loan included in such Borrowing.

SECTION 2.06 Interest Elections.

(a) Each Borrowing initially shall be of the Type specified in the applicable Borrowing Request and, in the case of a Eurodollar Borrowing, shall have an initial Interest Period as specified in such Borrowing Request. Thereafter, the Borrower may elect (subject to Section 2.15) to convert such Borrowing to a different Type or to continue such Borrowing and, in the case of a Eurodollar Borrowing, may elect Interest Periods therefor, all as provided in this Section. The Borrower may elect different options with respect to different portions of the affected Borrowing, in which case each such portion shall be allocated ratably among the Lenders holding the Loans comprising such Borrowing, and the Loans comprising each such portion shall be considered a separate Borrowing (provided that each such portion would satisfy the requirement of a Borrowing of that size and Type if made as a separate Borrowing initially rather than in connection with an election of Interest Periods).

(b) To make an election pursuant to this Section, the Borrower shall notify the Agent of such election by telephone by the time that a Borrowing Request would be required under Section 2.03 if the Borrower were requesting a Borrowing of the Type resulting from such election to be made on the effective date of such election. Each such telephonic Interest Election Request shall be irrevocable and shall be confirmed promptly by hand delivery or telecopy to the Agent of a written Interest Election Request in a form approved by the Agent and signed by the Borrower.

(c) Each telephonic and written Interest Election Request shall specify the following information in compliance with Section 2.02:

(i) the Borrowing to which such Interest Election Request applies and, if different options are being elected with respect to different portions thereof, the portions thereof to be allocated to each resulting Borrowing (in which case the information to be specified pursuant to clauses (iii) and (iv) below shall be specified for each resulting Borrowing);

(ii) the effective date of the election made pursuant to such Interest Election Request, which shall be a Business Day;

(iii) whether the resulting Borrowing is to be an ABR Borrowing or a Eurodollar Borrowing; and

(iv) if the resulting Borrowing is a Eurodollar Borrowing, the Interest Period to be applicable thereto after giving effect to such election, which shall be a period contemplated by the definition of the term

"Interest Period".

If any such Interest Election Request requests a Eurodollar Borrowing but does not specify an Interest Period, then the Borrower shall be deemed to have selected an Interest Period of one month's duration.

(d) Promptly following receipt of an Interest Election Request, the Agent shall advise each Lender of the details thereof and of such Lender's portion of each resulting Borrowing.

(e) If the Borrower fails to deliver a timely Interest Election Request with respect to a Eurodollar Borrowing prior to the end of the Interest Period applicable thereto, then, unless such Borrowing is repaid as provided herein, at the end of such Interest Period such Borrowing shall be converted to an ABR Borrowing. Notwithstanding any contrary provision hereof, if an Event of Default has occurred and is continuing then, so long as an Event of Default is continuing (i) no outstanding Borrowing may be converted to or continued as a Eurodollar Borrowing and (ii) unless repaid, each Eurodollar Borrowing shall be converted to an ABR Borrowing at the end of the Interest Period applicable thereto.

SECTION 2.07 Termination and Reduction of Commitments; Reduction of Available Borrowing Amount.

(a) The Commitments shall terminate on the Termination Date. Any termination or reduction of the Commitments shall be permanent. Each reduction of the Commitments shall be made ratably among the Lenders in accordance with their respective Commitments.

(b) The Borrower may at any time terminate, or from time to time reduce, the Commitments; provided that (i) each reduction of the Commitments pursuant to this paragraph shall be in an amount that is an integral multiple of $1,000,000.00 and not less than $5,000,000.00, and (ii) the Borrower shall not terminate or reduce the Commitments if, after giving effect to any concurrent prepayment of the Loans in accordance with Section 2.09, the sum of the Revolving Credit Exposures would exceed the Available Borrowing Amount. The Borrower shall notify the Agent of any election to terminate or reduce the Commitments under paragraph (b) of this Section at least three (3) Business Days prior to the effective date of such termination or reduction, specifying such election and the effective date thereof. Promptly

following receipt of any notice, the Agent shall advise the Lenders of the contents thereof. Each notice delivered by the Borrower pursuant to this Section shall be irrevocable; provided that a notice of termination of the Commitments delivered by the Borrower may state that such notice is conditioned upon the effectiveness of other credit facilities, in which case such notice may be revoked by the Borrower (by notice to the Agent on or prior to the specified effective date) if such condition is not satisfied; provided, further, that Section 2.15 shall be applicable notwithstanding that such revocation is permitted.

SECTION 2.08 Repayment of Loans; Evidence of Debt.

(a) The Borrower hereby unconditionally promises to pay to the Agent for the account of each Lender the then unpaid principal amount of each Loan on the Termination Date.

(b) Each Lender shall maintain in accordance with its usual practice an account or accounts evidencing the indebtedness of the Borrower to such Lender resulting from each Loan made by such Lender, including the amounts of principal and interest payable and paid to such Lender from time to time hereunder.

(c) The Agent shall maintain accounts in which it shall record (i) the amount of each Loan made hereunder, the Type thereof and the Interest Period applicable thereto, (ii) the amount of any principal or interest due and payable or to become due and payable from the Borrower to each Lender hereunder and (iii) the amount of any sum received by the Agent hereunder for the account of the Lenders and each Lender's share thereof.

(d) The entries made in the accounts maintained pursuant to paragraph (b) or (c) of this Section shall be prima facie evidence of the existence and amounts of the obligations recorded therein; provided that the failure of any Lender or the Agent to maintain such accounts or any error therein shall not in any manner affect the obligation of the Borrower to repay the Loans in accordance with the terms of this Agreement.

(e) Any Lender may request that Loans made by it be evidenced by a promissory note. In such event, the Borrower shall execute and deliver to such Lender a promissory note payable to the order of such Lender (or, if requested by such Lender, to such Lender and its registered assigns) and in the form of

Exhibit B or another form approved by the Agent. Thereafter, the Loans evidenced by such promissory note and interest thereon shall at all times (including after assignment pursuant to Section 9.04) be represented by one or more promissory notes in such form payable to the order of the payee named therein (or, if such promissory note is a registered note, to such payee and its registered assigns).

SECTION 2.09 Optional Prepayment.

(a) The Borrower shall have the right at any time and from time to time to prepay any Borrowing in whole or in part, without premium or penalty (but subject to Section 2.15) subject to prior notice in accordance with paragraph (b) of this Section.

(b) The Borrower shall notify the Agent by telephone (confirmed by telecopy) of any prepayment hereunder (i) in the case of prepayment of a Eurodollar Borrowing, not later than 1:00 p.m., New York City time, three Business Days before the date of prepayment, or (ii) in the

case of prepayment of an ABR Borrowing, not later than 1:00 p.m., New York City time, one Business Day before the date of prepayment. Each such notice shall be irrevocable and shall specify the prepayment date and the principal amount of each Borrowing or portion thereof to be prepaid; provided that, a notice of prepayment delivered by the Borrower may state that such notice is conditioned upon the effectiveness of other credit facilities, in which case such notice of prepayment may be revoked by the Borrower (by notice to the Agent on or prior to the specified effective date) if such condition is not satisfied (subject to Section 2.15). Promptly following receipt of any such notice, the Agent shall advise the Lenders of the contents thereof. Each partial prepayment of any Borrowing shall be in an amount that would be permitted in the case of an advance of a Borrowing of the same Type as provided in Section 2.02. Each prepayment of a Borrowing shall be applied ratably to the Loans included in the prepaid Borrowing. Prepayments shall be accompanied by accrued interest to the extent required by Section 2.12.

SECTION 2.10 Mandatory Prepayment.

(a) If, on any day (a "Prepayment Trigger Date"), the sum of the Revolving Credit Exposures exceeds the Available Borrowing Amount (including as a consequence of an Investor Disqualification Event or a reduction in the total Commitments), then the Credit Parties shall pay such excess to the Agent, for the benefit of the Lenders, in immediately available funds, promptly and in any event within two (2) Business Days after the applicable Prepayment Trigger Date to the extent such funds are available in the Subscription Account or any other account maintained by any Credit Party, otherwise within eighteen (18) days after the applicable Prepayment Trigger Date (during which time the Investor REIT shall issue a Capital Demand Notice to fund such required payment); provided that the amount of such excess shall be paid to the Agent concurrently with the creation of such excess if it results from any act at the election of any Credit Party.

(b) The Borrower shall prepay all Obligations upon the occurrence of any of the following events: (i) the dissolution or liquidation of any Credit Party, (ii) a Change of Control, (iii) any public offering of securities of the Borrower, (iv) termination of the Capital Commitments, or (v) the Managing GP or other partners of the Borrower vote to terminate the Borrower, any "Termination Determination" (as defined in the Borrower's partnership agreement) shall occur, or the Board of Directors of the Investor REIT votes to terminate the Investor REIT (regardless of whether shareholder approval is obtained) or any Credit Party or the Managing GP shall otherwise terminate or action shall be taken to that end.

(c) Nothing contained in this Section shall limit any rights or remedies of any Secured Party in connection with any Event of Default (whether or not related to any event referred to in this Section).

(d) If the amount required to be prepaid under any provision of this Section exceeds the then outstanding principal balance of the Loans, the amount of such excess shall be deposited as cash collateral in accordance with Section 2.04(j) and subject to the provisions of Section 6.04; provided that nothing contained in this Section shall limit any rights or remedies of any Secured Party in connection with any Event of Default (whether or not related to any event referred to in this Section).

(e) Amounts to be applied pursuant to any of the preceding subsections of this Section 2.10 to the prepayment of Loans shall be applied, first, to reduce outstanding ABR Loans. Amounts to be applied pursuant to Section 2.10(b) to the prepayment of Loans shall next be applied, to the extent of any remaining balance, to reduce outstanding Eurodollar Loans. Any amounts remaining to be applied to prepayment pursuant to Section 2.10(a) (but not

Section 2.10(b)) shall, at the Borrower's option, be applied to prepay Eurodollar Loans immediately or be deposited in the Prepayment Account. Each prepayment of Loans shall be applied to prepay ratably the Loans of the Lenders.

(f) The Agent shall apply any cash deposited in the Prepayment Account to prepay Eurodollar Loans on the last day of the Interest Period in respect thereof (or, at the direction of the Borrower, subject to Section 2.15, on any earlier date) until all outstanding Eurodollar Loans to be prepaid have been prepaid or until all the allocable cash on deposit with respect to such Loans has been exhausted. For purposes of this Agreement, "Prepayment Account" shall mean an account established by the Borrower with the Agent, in the name of the Agent, and over which the Agent shall have exclusive dominion and control, including the exclusive right of withdrawal for application in accordance with this Section 2.10(f). The Agent will, at the request and expense of the Borrower, invest amounts on deposit in the Prepayment Account in Permitted Investments (acceptable to the Agent in its discretion), in the name of the Agent, maturing prior to the last day of the Interest Period in respect of the Eurodollar Loans to be prepaid; provided that (i) the Agent shall not be required to make any investment that, in its sole and absolute discretion, would require or cause the Agent to be in, or would result in any, violation of any law, statute, rule or regulation and (ii) the Agent shall have no obligation to invest amounts on deposit in the Prepayment Account if a Default shall have occurred and be continuing. The Borrower shall indemnify the Agent for any losses relating to the investments so that the amount available to prepay Eurodollar Loans on the last day of the Interest Period in respect thereof is not less than the amount that would have been available had no investments been made pursuant hereto. Other than any interest earned on such investments, the Prepayment Account shall not bear interest. Interest or profits, if any, on such investments shall be deposited in the Prepayment Account and reinvested as specified above. If the maturity of the Loans shall be accelerated, the Agent may, in its sole and absolute discretion, liquidate such investments and apply all amounts on deposit in the Prepayment Account to satisfy any of the Obligations, in which case Section 2.15 shall apply. The Borrower hereby grants to the Agent, for the benefit of the Secured Parties, a security interest in the Prepayment Account and all proceeds thereof to secure the Obligations.

SECTION 2.11 Fees.

(a) The Borrower agrees to pay to the Agent for the account of each Lender an unused commitment fee ("Commitment Fee"), which shall accrue at the rate of 0.175% (17.5 basis points) per annum on the daily unused amount of the Commitment of such Lender during the period from and including the Effective Date to but excluding the date on which such Commitment terminates; provided that, in the sole and absolute discretion of the Agent, for purposes of computing the Commitment Fee only, and for no other purpose, the Commitments shall be calculated without giving effect to any reduction thereof (other than a reduction pursuant to Section 6.02) during the period of time (if any) from the date of such reduction to but

excluding the date on which the Agent shall have received notice from the Borrower of such reduction. Accrued Commitment Fees shall be payable quarterly in arrears on the last day of each March, June, September, and December of each year, and on the date on which the Commitments terminate, commencing on the first such date to occur after the date hereof. All unused Commitment Fees shall be computed on the basis of a year of 360 days and shall be payable for the actual number of days elapsed (including the first day but excluding the last day).

(b) The Borrower agrees to pay (i) to the Agent for the account of each Lender a participation fee with respect to its participations in Letters of Credit, which shall accrue at the same Applicable Rate as would apply to interest on Eurodollar Loans on the average daily amount of such Lender's LC Exposure (excluding any portion thereof attributable to unreimbursed LC Disbursements) during the period from and including the Effective Date to but excluding the later of the date on which such Lender's Commitment terminates and the date on which such Lender ceases to have any LC Exposure, and (ii) to the Issuing Bank a fronting fee, which shall accrue at the rate or rates per annum separately agreed upon in writing between the Borrower and the Issuing Bank on the average daily amount of the LC Exposure (excluding any portion thereof attributable to unreimbursed LC Disbursements) during the period from and including the Effective Date to but excluding the later of the Termination Date and the date on which there ceases to be any LC Exposure, as well as the Issuing Bank's standard fees with respect to the issuance, amendment, renewal or extension of any Letter of Credit or processing of drawings thereunder. Participation fees and fronting fees accrued to but excluding the last day of March, June, September and December of each year shall be payable on such last day, commencing on the first such date to occur after the Effective Date; provided that all such accrued and unpaid fees shall also be payable on the Termination Date, and any such fees accruing after the Termination Date shall be payable on demand. Any other fees payable to the Issuing Bank pursuant to this paragraph shall be payable within ten (10) days after demand. All participation

fees and fronting fees shall be computed on the basis of a year of 360 days and shall be payable for the actual number of days elapsed (including the first day but excluding the last day).

(c) The Borrower agrees to pay to the Agent, for its own account, fees payable in the amounts and at the times separately agreed upon in writing between the Borrower and the Agent (including all fees required to be paid under the Fee Letter).

(d) All fees payable hereunder shall be paid on the dates due, in immediately available funds, to the Agent (or to the Issuing Bank, in the case of fees payable to it) for distribution, in the case of Commitment Fees and participation fees, to the Lenders.
Fees paid shall not be refundable under any circumstances.

SECTION 2.12 Interest.

(a) The Loans comprising each ABR Borrowing shall bear interest at the Alternate Base Rate.

(b) The Loans comprising each Eurodollar Borrowing shall bear interest at the Adjusted LIBO Rate for the Interest Period in effect for such Borrowing plus the Applicable Rate.

(c) Notwithstanding the foregoing, if any principal of or interest on any Loan or any fee or other amount payable by the Borrower hereunder is not paid when due, whether at stated maturity, when required to be prepaid, upon acceleration, or otherwise, such overdue amount shall bear interest, after as well as before judgment, at a rate per annum equal to (i) in the case of overdue principal of any Loan, 2% (two percent) plus the rate otherwise applicable to such Loan as provided in the preceding paragraphs of this Section or (ii) in the case of any other amount, 2% (two percent) plus the rate applicable to ABR Loans as provided in paragraph (a) of this Section.

(d) Accrued interest on each Loan shall be payable in arrears on each Interest Payment Date for such Loan and on the Termination Date; provided that (i) interest accrued pursuant to paragraph (c) of this Section shall be payable on demand, (ii) in the event of any repayment or prepayment of any Loan (other than a prepayment of an ABR Loan prior to the end of the Availability Period), accrued interest on the principal amount repaid or prepaid shall be payable on the date of such repayment or prepayment and (iii) in the event of any conversion of any Eurodollar Loan prior to the end of the current Interest Period therefor, accrued interest on such Loan shall be payable on the effective date of such conversion.

(e) All interest hereunder shall be computed on the basis of a year of 360 days, except that interest computed by reference to the Alternate Base Rate at times when the Alternate Base Rate is based on the Prime Rate shall be computed on the basis of a year of 365 days (or 366 days in a leap year), and in each case shall be payable for the actual number of days elapsed (including the first day but excluding the last day). The applicable Alternate Base Rate, Adjusted LIBO Rate or LIBO Rate shall be determined by the Agent, and such determination shall be conclusive absent manifest error.

SECTION 2.13 Alternate Rate of Interest.

If prior to the commencement of any Interest Period for a Eurodollar Borrowing:

(a) the Agent determines (which determination shall be conclusive absent manifest error) that adequate and reasonable means do not exist for ascertaining the Adjusted LIBO Rate or the LIBO Rate, as applicable, for such Interest Period; or

(b) the Agent is advised by the Required Lenders that the Adjusted LIBO Rate or the LIBO Rate, as applicable, for such Interest Period will not adequately and fairly reflect the cost to such Lenders (or Lender) of making or maintaining their Loans included in such Borrowing for such Interest Period;

then the Agent shall give notice thereof to the Borrower and the Lenders by telephone or telecopy as promptly as practicable thereafter and, until the Agent notifies the Borrower and the Lenders that the circumstances giving rise to such notice no longer exist, (i) any Interest Election Request that requests the conversion of any Borrowing to, or continuation of any Borrowing as, a Eurodollar Borrowing shall be ineffective, and (ii) if any Borrowing Request requests a Eurodollar Borrowing, such Borrowing shall be made as an ABR Borrowing.

SECTION 2.14 Increased Costs.

(a) If any Change in Law shall:

(i) impose, modify or deem applicable any reserve, special deposit or similar requirement against assets of, deposits with or for the account of, or credit extended by, any Lender (except any such reserve requirement reflected in the Adjusted LIBO Rate) or the Issuing Bank; or

(ii) impose on any Lender, the Issuing Bank or the London interbank market any other condition affecting this Agreement or Eurodollar Loans made by such Lender or any Letter of Credit or participation therein;

and the result of any of the foregoing shall be to increase the cost to such Lender of making or maintaining any Eurodollar Loan (or of maintaining its obligation to make any such Loan) or to increase the cost to such Lender or the Issuing Bank of participating in, issuing or maintaining any Letter of Credit or to reduce the amount of any sum received or receivable by such Lender or the Issuing Bank hereunder (whether of principal, interest or otherwise), then the Borrower will pay to such Lender or the Issuing Bank such additional amount or amounts as will compensate such Lender or the Issuing Bank for such additional costs incurred or reduction suffered.

(b) If any Lender or the Issuing Bank determines that any Change in Law regarding capital requirements has or would have the effect of reducing the rate of return on such Lender's or the Issuing Bank's capital or on the capital of such Lender's or the Issuing Bank's holding company, if any, as a consequence of this Agreement or the Loans made by, or participations in Letters of Credit held by, such Lender, or the Letters of Credit issued by the Issuing Bank, to a level below that which such Lender or the Issuing Bank or such Lender's or the Issuing Bank's holding company could have achieved but for such Change in Law (taking into consideration such Lender's or the Issuing Bank's policies and the policies of such Lender's or the Issuing Bank's holding company with respect to capital adequacy), then from time to time the Borrower will pay to such Lender or the Issuing Bank, as the case may be, such additional amount or amounts as will compensate such Lender or the Issuing Bank or such Lender's or the Issuing Bank's holding company for any such reduction suffered.

(c) A certificate of a Lender or the Issuing Bank setting forth the amount or amounts necessary to compensate such Lender or the Issuing Bank or its holding company, as the case may be, as specified in paragraph (a) or (b) of this Section shall be delivered to the Agent, to be forwarded to the Borrower, and shall be conclusive absent manifest error. The Borrower shall pay to the Agent, for the account of such Lender or the Issuing Bank, as the case may be, the amount shown as due on any such certificate within 10 days after receipt thereof.

(d) Failure or delay on the part of any Lender or the Issuing Bank to demand compensation pursuant to this Section shall not constitute a waiver of such Lender's or the Issuing Bank's right to demand such compensation; provided that the Borrower shall not be required to compensate a Lender or the Issuing Bank pursuant to this Section for any increased costs or reductions incurred more than 270 days prior to the date that such Lender or the Issuing Bank, as the case may be, notifies the Borrower of the Change in Law giving rise to such

increased costs or reductions and of such Lender's or the Issuing Bank's intention to claim compensation therefor; provided, further, that, if the Change in Law giving rise to such increased costs or reductions is retroactive, then the 270 day period referred to above shall be extended to include the period of retroactive effect thereof.

SECTION 2.15 Break Funding Payments.

In the event of (a) the payment of any principal of any Eurodollar Loan other than on the last day of an Interest Period applicable thereto (including as a result of any mandatory prepayment or an Event of Default), (b) the conversion of any Eurodollar Loan other than on the last day of the Interest Period applicable thereto, (c) the failure to borrow, convert, continue or prepay any Loan on the date specified in any notice delivered pursuant hereto (regardless of whether such notice may be revoked under Section 2.07(b) and is revoked in accordance therewith), or (d) the assignment of any Eurodollar Loan other than on the last day of the Interest Period applicable thereto as a result of a request by the Borrower pursuant to Section 2.18, then, in any such event, the Borrower shall compensate each Lender for the loss, cost and expense attributable to such event. In the case of a Eurodollar Loan, such loss, cost or expense to any Lender shall be deemed to include an amount determined by such Lender to be the excess, if any, of (i) the amount of interest which would have accrued on the principal amount of such Loan had such event not occurred, at the Adjusted LIBO Rate that would have been applicable to such Loan, for the period from the date of such event to the last day of the

then current Interest Period therefor (or, in the case of a failure to borrow, convert or continue, for the period that would have been the Interest Period for such Loan), over (ii) the amount of interest which would accrue on such principal amount for such period at the interest rate which such Lender would bid were it to bid, at the commencement of such period, for dollar deposits of a comparable amount and period from other banks in the eurodollar market. A certificate of any Lender setting forth any amount or amounts that such Lender is entitled to receive pursuant to this Section shall be delivered to the Agent, to be forwarded to the Borrower, and shall be conclusive absent manifest error. The Borrower shall pay to the Agent, for the account of such Lender, the amount shown as due on any such certificate within 10 days after receipt thereof.

SECTION 2.16 Taxes.

(a) Any and all payments by or on account of any obligation of any Credit Party hereunder shall be made free and clear of and without deduction for any Indemnified Taxes or Other Taxes; provided that if any Credit Party shall be required to deduct any Indemnified Taxes or Other Taxes from such payments, then (i) the sum payable shall be increased as necessary so that after making all required deductions (including deductions applicable to additional sums payable under this Section) each Secured Party receives an amount equal to the sum it would have received had no such deductions been made, (ii) the relevant Credit Party shall make such deductions and (iii) the relevant Credit Party shall pay the full amount deducted to the relevant Governmental Authority in accordance with applicable law.

(b) In addition, the relevant Credit Party shall pay any Other Taxes to the relevant Governmental Authority in accordance with applicable law.

(c) Each Credit Party shall indemnify each Secured Party, within ten (10) days after written demand therefor, for the full amount of any Indemnified Taxes or Other Taxes paid by such Secured Party on or with respect to any payment by or on account of any obligation of such Credit Party hereunder (including Indemnified Taxes or Other Taxes imposed or asserted on or attributable to amounts payable under this Section) and any penalties, interest and reasonable expenses arising therefrom or with respect thereto, whether or not such Indemnified Taxes or Other Taxes were correctly or legally imposed or asserted by the relevant Governmental Authority. A certificate as to the amount of such payment or liability delivered to the relevant Credit Party by a Lender or the Issuing Bank, or by the Agent on its own behalf or on behalf of a Lender or the Issuing Bank, shall be conclusive absent manifest error.

(d) As soon as practicable after any payment of Indemnified Taxes or Other Taxes by any Credit Party to a Governmental Authority, such Credit Party shall deliver to the Agent the original or a certified copy of a receipt issued by such Governmental Authority evidencing such payment, a copy of the return reporting such payment or other evidence of such payment reasonably satisfactory to the Agent.

(e) Each Foreign Lender, before it signs this Agreement in the case of each Foreign Lender listed on the signature pages hereof and before it becomes a Lender hereunder in the case of each other Foreign Lender, and from time to time thereafter if requested in writing by the Borrower to do so (but only so long as such Foreign Lender remains lawfully able to do so), shall deliver to the Borrower and the Agent a duly completed copy of United States Internal Revenue Service Form 1001 or 4224 (or successor applicable form), as the case may be, certifying in each case that such Lender is entitled to receive payments under this Agreement without deduction or withholding of any United States federal income taxes. Each Foreign Lender further agrees promptly to notify the Borrower and the Agent of any change of circumstances (including any change in any treaty, law or regulation) which would prevent such Foreign Lender from receiving payments hereunder without any deduction or withholding of such taxes.

SECTION 2.17 Payments Generally; Pro Rata Treatment; Sharing of Set-offs.

(a) Each Credit Party shall make each payment required to be made by it hereunder (whether of principal, interest, fees, or of amounts payable under Section 2.14, 2.15 or 2.16, or otherwise) prior to 1:00 p.m., New York City time (except, in the case of reimbursements of LC Disbursements, prior to 12:00 noon, New York City time), on the date when due, in immediately available funds, without set-off or counterclaim. Any amounts received after such time on any date may, in the discretion of the Agent, be deemed to have been received on the next succeeding Business Day for purposes of calculating interest thereon. All such payments shall be made to the Agent at its offices at 270 Park Avenue, New York, New York (or to such other office as the Agent may hereafter specify by notice to any Credit Party), except payments to be made directly to the Issuing Bank as expressly provided herein and except that payments pursuant to Sections 2.14, 2.15, 2.16 and 9.03 shall be made directly to the Persons entitled thereto. The Agent shall distribute any such payments received by it for the account of any other Person to the appropriate recipient promptly

following receipt thereof. If any payment hereunder shall be due on a day that is not a Business Day, the date for payment shall be

extended to the next succeeding Business Day (subject however, to the provisions of the definition of the term "Interest Period"), and, in the case of any payment accruing interest, interest thereon shall be payable for the period of such extension. All payments hereunder shall be made in dollars.

(b) If at any time insufficient funds are received by and available to the Agent to pay fully all amounts of principal, unreimbursed LC Disbursements, interest and fees then due hereunder, such funds shall be applied (i) first, towards payment of interest and fees then due hereunder, ratably among the parties entitled thereto in accordance with the amounts of interest and fees then due to such parties, and (ii) second, towards payment of principal and unreimbursed LC Disbursements then due hereunder, ratably among the parties entitled thereto in accordance with the amounts of principal and unreimbursed LC Disbursements then due to such parties.

(c) If any Lender shall, by exercising any right of set-off or counterclaim or otherwise, obtain payment in respect of any principal of or interest on any of its Loans or participations in LC Disbursements resulting in such Lender receiving payment of a greater proportion of the aggregate amount of its Loans and participations in LC Disbursements and accrued interest thereon than the proportion received by any other Lender, then the Lender receiving such greater proportion shall purchase (for cash at face value) participations in the Loans and participations in LC Disbursements of other Lenders to the extent necessary so that the benefit of all such payments shall be shared by the Lenders ratably in accordance with the aggregate amount of principal of and accrued interest on their respective Loans and participations in LC Disbursements; provided that (i) if any such participations are purchased and all or any portion of the payment giving rise thereto is recovered, such participations shall be rescinded and the purchase price restored to the extent of such recovery, without interest, and (ii) the provisions of this paragraph shall not be construed to apply to any payment made by any Credit Party pursuant to and in accordance with the express terms of this Agreement or any payment obtained by a Lender as consideration for the assignment of or sale of a participation in any of its Loans or participations in LC Disbursements to any assignee or participant, other than to any Credit Party or any subsidiary or Affiliate thereof (as to which the provisions of this paragraph shall apply). Each Credit Party consents to the foregoing and agrees, to the extent it may effectively do so under applicable law, that any Lender acquiring a participation pursuant to the foregoing arrangements may exercise against the Borrower rights of set-off and counterclaim with respect to such participation as fully as if such Lender were a direct creditor of the Borrower in the amount of such participation.

(d) Unless the Agent shall have received notice from the Borrower prior to the date on which any payment is due to the Agent for the account of the Lenders or the Issuing Bank hereunder that the Borrower will not make such payment, the Agent may assume that the Borrower has made such payment on such date in accordance herewith and may, in reliance upon such assumption, distribute to the Lenders or the Issuing Bank, as the case may be, the amount due. In such event, if the Borrower has not in fact made such payment, then each of the Lenders or the Issuing Bank, as the case may be, severally agrees to repay to the Agent forthwith on demand the amount so distributed to such Lender or the Issuing Bank with interest thereon, for each day from and including the date such amount is distributed to it to but excluding the date of

payment to the Agent, at the greater of the Federal Funds Effective Rate and a rate determined by the Agent in accordance with banking industry rules on interbank compensation.

(e) If any Lender shall fail to make any payment required to be made by it pursuant to Section 2.04(d) or (e), 2.05(b), or 2.17(d), then the Agent may, in its discretion (notwithstanding any contrary provision hereof), apply any amounts thereafter received by the Agent for the account of such Lender to satisfy such Lender's obligations under such Sections until all such unsatisfied obligations are fully paid.

SECTION 2.18 Mitigation Obligations; Replacement of Lenders.

(a) If any Lender requests compensation under Section 2.14, or if any Credit Party is required to pay any additional amount to any Lender or any Governmental Authority for the account of any Lender pursuant to Section 2.16, then such Lender shall use reasonable efforts to designate a different lending office for funding or booking its Loans hereunder or to assign its rights and obligations hereunder to another of its offices, branches or affiliates, if, in the judgment of such Lender, such designation or assignment (i) would eliminate or reduce amounts payable pursuant to Section 2.14 or 2.16, as the case may be,

in the future and (ii) would not subject such Lender to any unreimbursed cost or expense and would not otherwise be disadvantageous to such Lender. The Borrower hereby agrees to pay all reasonable costs and expenses incurred by any Lender in connection with any such designation or assignment.

(b) If any Lender requests compensation under Section 2.14, or if any Credit Party is required to pay any additional amount to any Lender or any Governmental Authority for the account of any Lender pursuant to Section 2.16, or if any Lender defaults in its obligation to fund Loans hereunder, then the Borrower may, at its sole expense and effort, upon notice to such Lender and the Agent, require such Lender to assign and delegate, without recourse (in accordance with and subject to the restrictions contained in Section 9.04), all its interests, rights and obligations under this Agreement to an assignee that shall assume such obligations (which assignee may be another Lender, if a Lender accepts such assignment); provided that (i) the Borrower shall have received the prior written consent of the Agent (and, if a Commitment is being assigned, the Issuing Bank), which consent shall not unreasonably be withheld or delayed, (ii) such Lender shall have received payment of an amount equal to the outstanding principal of its Loans and participations in LC Disbursements, accrued interest thereon, accrued fees and all other amounts payable to it hereunder, from the assignee (to the extent of such outstanding principal and accrued interest and fees) or the Borrower (in the case of all other amounts) and (iii) in the case of any such assignment resulting from a claim for compensation under Section 2.14 or payments required to be made pursuant to Section 2.16, such assignment will result in a reduction in such compensation or payments. A Lender shall not be required to make any such assignment and delegation if, prior thereto, as a result of a waiver by such Lender or otherwise, the circumstances entitling the Borrower to require such assignment and delegation cease to apply.

SECTION 2.19 Liens and Security Interest.

(a) Capital Commitments; Capital Calls and Other Rights. To secure performance by the Investor REIT of the Investor REIT Obligations, and in accordance with the

Articles of Incorporation, the Investor REIT's other Constituent Documents, the Subscription Agreements, and the Investor Letters:

(i) pursuant to the Pledge and Security Agreement, the Investor REIT shall grant to the Agent, for the benefit of the Secured Parties, an exclusive, perfected first priority security interest in all of the Collateral described therein, including the Capital Commitments and any rights to call for and receive payment of Capital Commitments as contemplated by the Subscription Agreements or the Articles of Incorporation and to enforce the payment thereof or any guarantees thereof now existing or hereafter arising;

(ii) pursuant to the Cash Collateral Agreement, the Investor REIT shall grant to the Agent, for the benefit of the Secured Parties, an exclusive, perfected first priority security interest in the Subscription Account and all of the proceeds thereof as more fully described in the Cash Collateral Agreement; and

(iii) pursuant to the Pledge Agreement, the Investor REIT shall grant to the Agent, for the benefit of the Secured Parties, an exclusive, perfected first priority security interest in the Collateral described therein, including all of the Investor REIT's interest in the Borrower now existing or hereafter arising.

(b) Subscription Account.

(i) In order to secure further the performance by the Investor REIT of the Investor REIT Obligations and to effect and facilitate the right of the Secured Parties to offset while any Obligations are outstanding, (A) the Investor REIT hereby irrevocably appoints the Agent as subscription agent and the sole party entitled in the name of the Investor REIT, upon the occurrence and during the continuance of an Event of Default, to make any Capital Calls upon the Investors pursuant to the terms of the Subscription Agreements or the Investor REIT's Constituent Documents, and (B) the Investor REIT shall direct each Investor to wire transfer to the Subscription Account all monies or sums paid or to be paid by such Investor to the Investor REIT to fund such Investor's Capital Commitment as and when such Investor is required pursuant to its Subscription Agreement or the Investor REIT's Constituent Documents to fund such Capital Commitment. In addition, to the extent that the Investor REIT receives any payments of Capital Contributions from the Investors during the term of this Agreement, it shall immediately deposit such payments upon receipt into the Subscription Account.

(ii) Notwithstanding anything to the contrary herein contained, it is expressly understood and agreed that neither the Agent nor any other Secured Party undertakes any duties, responsibilities, or liabilities with respect to Capital Calls. Neither the Agent nor any other Secured Party shall be required to refer to the Investor REIT's Constituent Documents or Subscription

Agreements or take any other action with respect to any other matter which might arise in connection with the Investor REIT's Constituent Documents or Subscription Agreements or any Capital Call. Neither the Agent nor any other Secured Party shall have any duty to determine or inquire into any happening or occurrence or any performance or failure of performance of any Credit Party or any Investor. Neither the Agent nor any other Secured Party has any duty to inquire into the use, purpose, or reasons for the making of any Capital Call or with respect to the investment or use of the proceeds thereof.

(iii) Except as provided in Section 2.19(b)(iv), the Investor REIT shall have no right to withdraw any funds from the Subscription Account if, at the time thereof or after giving effect thereto, (A) the sum of the Revolving Credit Exposures shall exceed the sum of (x) the balance remaining in the Subscription Account plus (y) the Available Borrowing Amount or (B) there shall exist any Default in the payment of any amount under this Agreement, any incurable Default of any kind, or any Event of Default of any kind. Any withdrawal permitted to be made by the Investor REIT from the Subscription Account may be used only for uses permitted hereunder, subject to the terms hereof and the Cash Collateral Agreement.

(iv) The Investor REIT hereby irrevocably authorizes and directs the Secured Parties, acting through the Agent, at any time following the occurrence and during the continuance of an Event of Default while any Obligations are outstanding, to charge from time to time the Subscription Account and any other accounts of the Investor REIT at any of the Secured Parties for amounts due to the Secured Parties or any of them hereunder. The Agent, on behalf of and in the name of the Secured Parties, is hereby authorized, in the name of the Investor REIT, at any time or from time to time following the occurrence and during the continuance of an Event of Default while any Obligations are outstanding, to notify any or all parties obligated to the Investor REIT with respect to the Capital Commitments to make all payments due or to become due thereon directly to the Agent on behalf of the Secured Parties, at a different account number, or to initiate one or more Capital Calls of the Capital Commitments in order to establish cash collateral for the Letters of Credit as contemplated by Section 2.04(j) and Section 6.04 or to pay Obligations or Investor REIT Obligations. With or without such general notification, following the occurrence and during the continuance of an Event of Default while any Obligations or Investor REIT's Obligations are outstanding, the Agent, on behalf of the Secured Parties, (i) may make Capital Calls in the Investor REIT's name (to the extent such Capital Call is permitted under the Subscription Agreements or the Investor REIT's Constituent Documents), (ii) may take or bring in the Investor REIT's name (to the extent permitted under the Subscription Agreements or the Investor REIT's Constituent Documents) all steps, actions, suits or proceedings deemed by the Agent necessary or desirable to effect possession or collection of payments, (iii) may complete in the Investor REIT's name any contract or agreement of the Investor REIT (to the extent permitted under the Subscription Agreements or the Investor REIT's Constituent Documents) required to realize upon the Capital Commitments, (iv) may compromise in the Investor REIT's name any claims related to the Capital Commitments, (v) may extend credit in its own name or the name of the Investor REIT (to the extent permitted under the Subscription Agreements or the Investor REIT's Constituent Documents), or (vi) may exercise in the Investor REIT's name any right, privilege, power or remedy available to the Investor REIT (without limiting any waiver of defenses by any Investor to the exercise of any such right, privilege, power or remedy) to realize upon the Capital Commitments. Regardless of any provision hereof, in the absence of gross negligence or willful misconduct by the Agent or the other Secured Parties, neither the Agent nor any of the other Secured Parties shall ever be liable for failure to collect or for failure to exercise diligence in the collection, possession, or any transaction concerning all or part of the Capital Calls or Capital Commitments or sums due or paid thereon, nor shall they be under any obligation whatsoever to anyone by virtue of the security interest and Liens relating to the Capital Calls or Capital Commitments.

(v) The Agent, on behalf of the Secured Parties, is hereby authorized and empowered, following the occurrence and during the continuance of an Event of Default while any Letter of Credit or any Obligation is outstanding, on behalf of the Investor REIT, to endorse the name of the Investor REIT upon any check, draft, instrument, receipt, instruction or other document or items, including all items evidencing payment upon a Capital Call of any Person to the Investor REIT coming into the Agent's possession, and to receive and apply the proceeds therefrom in accordance with the terms of the Cash Collateral Agreement, the Pledge and Security Agreement, or this Agreement. The Agent, on behalf of the Secured Parties, is hereby granted an irrevocable power of attorney, which is coupled with an interest, to execute all checks, drafts, receipts, instruments, instructions or other documents, agreements, or items on behalf of the Investor REIT, either before or after demand of payment on the Loans or any other Obligation or Investor REIT Obligation, but only following the occurrence and during the continuance of an Event of Default, as

shall reasonably be deemed by the Agent to be necessary or advisable to protect the security interests and Liens in the Capital Commitments or any other Collateral or to obtain payment and performance of any past-due Obligations, and neither the Agent nor any other Secured Party shall incur any liability in connection with or arising from its exercise of such power of attorney in the absence of gross negligence or willful misconduct.

(vi) Notwithstanding anything to the contrary contained in this Agreement, upon the occurrence and during the continuation of an Event of Default, the Investor REIT shall be permitted within eighteen (18) days thereafter to make a single Capital Call provided (i) the proceeds of such Capital Call are deposited into the Subscription Account, (ii) the Investor REIT directs that such proceeds together with any other funds held in the Subscription Account shall be withdrawn by the Agent to prepay the Loans in their entirety and to provide cash collateral for all Letters of Credit, together with costs, expenses, funding losses, indemnities, interest and penalties incurred as expressly contemplated in this Agreement and (iii) the Commitments are terminated.

(vii) The application by the Secured Parties of such funds hereunder shall be, unless the Agent shall otherwise agree in writing, first, to the payment of reasonable costs and expenses due the Secured Parties under this Agreement and the other Loan Documents, second, to the payment of accrued interest due on each Loan and unreimbursed LC Disbursement, third, to the payment of the principal of each Loan and to the payment of unreimbursed LC Disbursements, fourth, to the establishment of cash collateral for outstanding Letters of Credit, fifth, to all other Obligations and any amounts due under any other Loan Documents, and, sixth, to the Investor REIT or to such other Person as may be entitled thereto.

(c) Further Assurances; Agreement to Deliver Additional Collateral Documents.

(i) Each of the Credit Parties shall execute, deliver and acknowledge such security agreements, financing statements, assignments, control agreements, and other collateral documents (all of which shall be deemed part of the "Collateral Documents"), in form and substance reasonably satisfactory to the Agent, and take such further actions from time to time, as the Agent acting on behalf of the Secured Parties may reasonably request from time to time for the purpose of granting to, or maintaining or perfecting in favor of, the Secured Parties, first priority and exclusive security interests in the Capital Calls and Capital Commitments and the other Collateral, including providing such reasonable assurances as to the enforceability and

priority of the Liens and security interest of the Secured Parties and assurances of due recording of the Collateral Documents as the Agent may reasonably require.

(ii) Upon the admission of Subsequent Investors into the Investor REIT, the Investor REIT shall use its best efforts to promptly deliver the following to the Agent: (A) duly executed original Investor Letters with respect to such Subsequent Investors (and, if such Investor Letter was signed by an attorney-in-fact, an opinion of the type described in the third sentence of Section 4.01(h)) and (B) duly executed copies of Subscription Agreements with respect to such Subsequent Investors. In addition, if any such Subsequent Investor has not delivered an Investor Opinion to the Agent, the Investor REIT shall use reasonable efforts to obtain and then promptly deliver to the Agent copies of such Subsequent Investor's Constituent Documents or enabling legislation, as applicable, and evidence indicating the authority of such Subsequent Investor to execute and deliver its Investor Letter and Subscription Agreement. Notwithstanding the failure of the Investor REIT to deliver any of the foregoing documents with respect to any Subsequent Investor, the Investor REIT must require all Subsequent Investors to fund their Capital Calls into the Subscription Account.

(iii) Each of the Credit Parties acknowledges that it is a condition, among others, to the inclusion of any Subsequent Investor as an Included Investor that such Subsequent Investor deliver to the Agent (A) an Investor Letter, an Investor Opinion and a copy of its Subscription Agreement, (B) if such Subsequent Investor is organized under the laws of any jurisdiction other than the United States of America or any state thereof, a written submission to the jurisdiction of a United States Federal District Court and a United States state court with respect to any litigation arising out of or in connection with its Subscription Agreement or Investor Letter or any Constituent Document of the Investor REIT (such submission to be in form and substance satisfactory to the Agent in its sole and absolute discretion, including provisions relating to waiver of objections to venue, waiver of defense of inconvenient forum, and consent to service of process, and accompanied by an Investor Opinion as to the enforceability of such submission), and (C) if such Subsequent Investor is a Governmental Authority or an instrumentality of a Governmental Authority or majority-owned by a Governmental Authority or otherwise entitled to any immunity in respect of any litigation in any

jurisdiction, court or venue, a written waiver (in form and substance satisfactory to the Agent in its sole and absolute discretion) of any such claim of immunity and an Investor Opinion that such waiver is enforceable or such Subsequent Investor and its property is not entitled to any immunity with respect to any litigation arising out of or in connection with its Subscription Agreement or Investor Letter or any Constituent Document of the Investor REIT. In addition, a Subsequent Investor will not be an Included Investor unless the Agent and the Super-Required Lenders (in the case of an Investor that meets the Applicable Requirement) or the Agent, the Issuing Bank, and all of the Lenders (in the case of an Investor that does not meet the Applicable Requirement) approve in writing the inclusion of such Subsequent Investor as an Included Investor, which approval may be withheld by the Agent and each such Lender in its sole and absolute discretion.

(d) Subordination of Claims.

(i) Until the Obligations shall be paid and satisfied in full, the Investor REIT shall not receive or collect, directly or indirectly, from any Investor any amount upon the Investor Claims other than pursuant to this Section.

(ii) Without the prior written consent of the Agent, after the occurrence and during the continuation of an Event of Default the Investor REIT shall not (i) exercise or enforce any rights of a creditor or other right it may have against an Investor on account of any Investor Claims, (ii) foreclose, repossess, sequester or otherwise take steps or institute any action or proceedings (judicial or otherwise, including the commencement of, or joinder in, any liquidation, bankruptcy, rearrangement, debtor's relief or insolvency proceeding) to enforce any Liens, mortgages, deeds of trust, security interest, collateral rights, judgments or other encumbrances on assets of such Investor held by it as security for any Investor Claims, or (iii) exercise any rights or remedies against an Investor under a Subscription Agreement or the Investor REIT's Constituent Documents.

(iii) Each of the Credit Parties shall cause the Portfolio Manager to subordinate its right to the Portfolio Management Fee to the prior payment in full in cash of the Investor REIT Obligations; provided that so long as no Event of Default has occurred and is continuing or would exist after giving effect thereto, the Portfolio Manager shall be entitled to receive the Portfolio Management Fee and all other amounts payable pursuant to the terms of the Portfolio Management Agreement as in effect on the Effective Date.

(iv) Each of the Credit Parties shall cause the obligations of the Borrower to its partners to be subordinated to the prior payment in full in cash of the Obligation so that no payment with respect to any such obligation shall be made or received while any Event of Default exists.

(e) Constituent Documents. Each of the Credit Parties agrees that until the Commitments have expired or terminated and the principal of and interest on each Loan and all fees payable hereunder have been paid in full and all Letters of Credit have expired or terminated and all LC Disbursements shall have been reimbursed, (i) no provisions of the Investor REIT's Constituent Documents or the Subscription Agreements shall be effective to permit, and each of the Credit Parties hereby irrevocably waives and agrees not to assert against any Secured Party any such provision which would otherwise permit (A) the Investor REIT to reduce the Unpaid Capital Obligation of any Investor by treating any amount payable or distributable by the Investor REIT to the Investor as a Capital Contribution by such Investor, (B) the Investor REIT to waive, cancel, release or terminate, in whole or in part, the Capital Commitments, or (C) the Investors or any other Persons to limit calls for payment of Capital Commitments; (ii) the Secured Parties shall be entitled to the benefit of the Investor REIT's Constituent Documents and the Subscription Agreements to the extent that such documents set forth rights or remedies in respect of Capital Commitments; (iii) no side letter or other agreement with any Investor may confer on the Investor REIT, any Investor, or any other Person any rights that are inconsistent with the ability of the Agent to call for payment of Capital Commitments or otherwise realize upon the Collateral, unless the effects of such provisions are explicitly stated to be subject to all such rights of the Secured Parties under the Facility, and each of the Credit Parties hereby irrevocably waives and agrees not to assert against any Secured Party any such side letter or other agreement; and (iv) the Investor REIT's Constituent Documents, the Subscription Agreements or the Investor Letters shall provide (A) that notices of and calls for payment of Capital Commitments by the Agent shall have the force of notices and calls by the Investor REIT, (B) that Investors shall not be excused from funding Capital Commitments as a result of ERISA, Bank Holding

Company Act, or similar statutory or regulatory concerns (whether at the

election of the Investor or the Investor REIT), and (C) that each Investor is responsible to contribute capital when called upon in respect of defaults by other Investors in making contributions (subject to overall subscription limits for such nondefaulting Investor).

ARTICLE III

REPRESENTATIONS AND WARRANTIES

Each Credit Party represents and warrants to (and, where applicable, agrees with) each of the Secured Parties that:

SECTION 3.01 Organization; Powers.

(a) The Borrower is a limited partnership, duly formed, validly existing and in good standing under the laws of the State of Delaware and has all powers and all material governmental licenses, authorizations, consents and approvals required to own its property and assets and carry on its business as now conducted or as presently proposed to be conducted and has been duly qualified and is in good standing in every jurisdiction in which the failure to be so qualified and/or in good standing is likely to have a Material Adverse Effect.

(b) The Managing GP is a limited partnership, duly formed, validly existing and in good standing under the laws of the State of Delaware and has all powers and all material governmental licenses, authorizations, consents and approvals required to own its property and assets and carry on its business as now conducted or as presently proposed to be conducted and has been duly qualified and is in good standing in every jurisdiction in which the failure to be so qualified and/or in good standing is likely to have a Material Adverse Effect.

(c) The Special GP is a limited liability company, duly formed, validly existing and in good standing under the laws of the State of Delaware and has all powers and all material governmental licenses, authorizations, consents and approvals required to own its property and assets and carry on its business as now conducted or as presently proposed to be conducted and has been duly qualified and is in good standing in every jurisdiction in which the failure to be so qualified and/or in good standing is likely to have a Material Adverse Effect.

(d) The Investor REIT is a corporation, duly formed, validly existing and in good standing under the laws of the State of Maryland, and has all powers and all material governmental licenses, authorizations, consents and approvals required to own its property and assets and carry on its business as now conducted or as presently proposed to be conducted and has been duly qualified and is in good standing in every jurisdiction in which the failure to be so qualified and/or in good standing is likely to have a Material Adverse Effect.

(e) Each Subsidiary, if any, is duly organized, validly existing and in good standing under the laws of the jurisdiction of its organization, has all requisite power and authority to carry on its business as now conducted and, except where the failure to do so, individually or in the aggregate, could not reasonably be expected to result in a Material Adverse

Effect, is qualified to do business in, and is in good standing in, every jurisdiction where such qualification is required. As of the Effective Date, the Borrower has no Subsidiaries and the only subsidiary of the Investor REIT is the Borrower.

(f) As of the Effective Date, (i) the sole limited partners of the Borrower are the Managing GP and the Investor REIT, (ii) the sole general partners of the Borrower are the Managing GP and the Special GP, (iii) the Managing GP is the sole managing general partner of the Borrower, (iv) AMB REIT is the sole general partner of the Managing GP, and (v) the Managing GP is the sole manager of the Special GP.

SECTION 3.02 Authorization; Enforceability.

The Transactions are within the Borrower's partnership powers and the Investor REIT's corporate powers. Each of the Portfolio Manager and the Deal Parties has the power and authority to execute, deliver and carry out the terms and provisions of each of the Loan Documents and the Subscription Agreements to which it is a party or which it is executing in a representative capacity on behalf of another party. All necessary action has been taken (including, if required, by partners, directors, stockholders, managers, or members, as applicable) to authorize the Transactions. Each of the Portfolio Manager and the Deal Parties has duly executed and delivered each Loan Document or Subscription Agreement to which it is a party or which it is executing in a representative capacity on behalf of another party, and each such Loan Document or Subscription

Agreement constitutes the legal, valid and binding obligation of the Portfolio Manager or such Deal Party that is a party thereto, as the case may be, enforceable in accordance with its terms, except as enforceability may be limited by applicable insolvency, bankruptcy or other laws affecting creditors rights generally, or general principles of equity, whether such enforceability is considered in a proceeding in equity or at law.

SECTION 3.03 No Conflicts.

Neither the execution, delivery or performance by or on behalf of the Portfolio Manager or any Deal Party (whether for itself or in a representive capacity on behalf of another party, as the case may be) of the Loan Documents or the Subscription Agreements, nor compliance by the Portfolio Manager or any Deal Party with the provision of any such Loan Document or Subscription Agreement to which it is a party, as the case may be, nor the consummation of the transactions contemplated by the Loan Documents or the Subscription Agreements, nor the Borrower's borrowing of the Loans or obtaining Letters of Credit hereunder, (i) will contravene any applicable provision of any material law, statute, rule, regulation, order, writ, injunction or decree of any Governmental Authority, (ii) will conflict in any material respect with or result in any breach of, any material terms, covenants, conditions or provisions of, or constitute a material default under, or result in the creation or imposition of (or the obligation to create or impose) any Lien (except pursuant to the Loan Documents) upon any of the property or assets of any Deal Party or any of its respective subsidiaries pursuant to the terms of any indenture, mortgage, deed of trust, or other agreement or other instrument to which any Deal Party or any of its respective subsidiaries is a party or by which it or any of its property or assets is bound or to which it is subject, or give rise to a right thereunder to require any payment to be made by any Credit Party or any of its subsidiaries, (iii) will violate or cause a default under any

Constituent Document of any Person in which any Deal Party has an interest (direct or indirect), or violate or cause a default under any Deal Party's Constituent Documents.

SECTION 3.04 Financial Condition.

(a) The Borrower has heretofore furnished to the Lenders and the Issuing Bank its pro forma balance sheet as of the Effective Date. Such balance sheet presents fairly, in all material respects, the financial position of the Borrower as of the Effective Date.

(b) As of the Effective Date, after giving effect to this Agreement, the Investor REIT has no material liabilities, absolute or contingent, matured or unmatured, other than its obligations under this Agreement, the other Loan Documents, the Subscription Agreements and the Portfolio Management Agreement and its obligations as a limited partner of the Borrower.

SECTION 3.05 Properties.

(a) Each of the Credit Parties and its subsidiaries has good title to, or valid leasehold interests in, all its real and personal property material to its business, except for minor defects in title that do not interfere with its ability to conduct its business as currently conducted or to utilize such properties for their intended purposes.

(b) Each of the Credit Parties and its subsidiaries owns, or is licensed to use, all trademarks, tradenames, copyrights, patents and other intellectual property material to its business, and the use thereof by the Credit Parties and their respective subsidiaries does not infringe upon the rights of any other Person, except for any such infringements that, individually or in the aggregate, could not reasonably be expected to result in a Material Adverse Effect.

SECTION 3.06 Litigation and Environmental Matters.

(a) There are no actions, suits or proceedings by or before any arbitrator or Governmental Authority pending against or, to the knowledge of the Credit Parties, threatened against or affecting the Portfolio Manager or any Deal Party or any of their respective subsidiaries (i) as to which there is a reasonable possibility of an adverse determination and that, if adversely determined, could reasonably be expected, individually or in the aggregate, to result in a Material Adverse Effect (other than the Disclosed Matters) or (ii) that seek to enjoin the entering into or performance of this Agreement, any other Loan Document, or the Transactions.

(b) Except for the Disclosed Matters and except with respect to any other matters that, individually or in the aggregate, could not reasonably be expected to result in a Material Adverse Effect, neither any Deal Party, nor any subsidiary of any Deal Party (i) has failed to comply with any Environmental Law or to obtain, maintain or comply with any permit, license or other approval

required under any Environmental Law, (ii) has become subject to any Environmental Liability, (iii) has received notice of any claim with respect to any Environmental Liability or (iv) knows of any basis for any Environmental Liability.

(c) Since the date of this Agreement, there has been no change in the status of the Disclosed Matters that, individually or in the aggregate, has resulted in, or materially increased the likelihood of, a Material Adverse Effect.

SECTION 3.07 Compliance with ERISA.

(a) Neither any Credit Party nor any of its subsidiaries has any employees as of the date of this Agreement or the Effective Date. Neither Credit Party is an ERISA Affiliate of any other Person.

(b) Each Credit Party is qualified as a VCOC or REOC or otherwise in compliance with an exception set forth in the Plan Asset Regulation such that none of the assets of any Credit Party is subject to Title 1 of ERISA.

(c) The Transactions contemplated by the Loan Documents will not constitute a nonexempt prohibited transaction (as such term is defined in Section 4975 of the Code or Section 406 of ERISA) that could subject any Secured Party to any tax or penalty on prohibited transactions imposed under Section 4975 of the Code or Section 502(i) of ERISA or any similar state law.

SECTION 3.08 Taxes.

Each Credit Party and its subsidiaries has timely filed or caused to be filed all Tax returns and reports required to have been filed and has paid or caused to be paid all Taxes required to have been paid by it, except (a) Taxes that are being contested in good faith by appropriate proceedings and for which such Credit Party or such subsidiary, as applicable, had set aside on its books adequate reserves or (b) to the extent that the failure to do so could not reasonably be expected to result in a Material Adverse Effect. The charges, accruals and reserves on the books of each Credit Party and its subsidiaries in respect of Taxes or other governmental charges are adequate.

SECTION 3.09 Disclosure.

All information heretofore furnished by the Portfolio Manager or any Deal Party to any Secured Party for purposes of or in connection with this Agreement, any other Loan Document or any transaction contemplated hereby is, and all such information hereafter furnished by the Portfolio Manager or any Deal Party to any Secured Party will be, true and accurate in all material respects on the date as of which such information is stated or deemed stated. The Credit Parties have disclosed to the Lenders in writing any and all facts which materially and adversely affect or may in the future materially and adversely affect (to the extent the Credit Parties can now reasonably foresee), the business, operations or financial condition of any Credit Party or its subsidiaries, taken as a whole, or the ability of any Credit Party to perform its obligations under this Agreement or the other Loan Documents in any material respect.

SECTION 3.10 Solvency.

On the Effective Date and after giving effect to the transactions contemplated by the Loan Documents occurring on the Effective Date, each Credit Party will be Solvent. It is in the best interest of the Investor REIT and in pursuit of the purposes for which it was organized, and reasonably necessary and convenient in connection with the conduct of the business conducted and proposed to be conducted by it, to induce the Secured Parties to enter into this Agreement and to extend credit to the Borrower by making the Guarantee contemplated by this

Agreement and granting the Collateral provided for in the Loan Documents. The credit available under this Agreement will directly or indirectly inure to the Investor REIT's benefit, and by virtue of the foregoing it is receiving at least reasonably equivalent value from the Secured Parties for its Guarantee hereunder.

SECTION 3.11 Use of Proceeds; Margin Regulations.

All proceeds of the Loans, and the Letters of Credit, will be used by the Borrower for real estate and other investments, for working capital, and for general corporate purposes of the Borrower, all in accordance with its Constituent Documents, the Placement Memorandum and this Agreement. Neither any Credit Party nor any subsidiary thereof is engaged principally, or as one of its important activities, in the business of extending credit for the purpose of

purchasing or carrying any margin stock (within the meaning of Regulation U of the Board). Neither the making of any Loan nor the use of the proceeds thereof will violate or be inconsistent with the provisions of Regulations T, U or X of the Board.

SECTION 3.12 Governmental Approvals.

No order, consent, approval, license, authorization, or validation of, or filing (except for financing statements which have heretofore been filed or which have been delivered to the Agent for filing), recording or registration with, or exemption or other action by, any Governmental Authority is required to authorize, or is required in connection with the Transactions other than those that have already been duly made or obtained and remain in full force and effect.

SECTION 3.13 Investment Company Act; Public Utility Holding Company Act.

Neither Credit Party is (x) an "investment company" or a company "controlled" by an "investment company", within the meaning of the Investment Company Act of 1940, as amended, (y) a "holding company" or a "subsidiary company" of a "holding company" or an "affiliate" of either a "holding company" or a "subsidiary company" within the meaning of the Public Utility Holding Company Act of 1935, as amended, or (z) subject to any other federal or state law or regulation which purports to restrict or regulate its ability to borrow money.

SECTION 3.14 Capital Contributions.

Prior to the Effective Date, the Investor REIT has satisfied all conditions to the Investor REIT's calling for Capital Contributions by Investors, including any and all conditions contained in the Subscription Agreements or the Investor REIT's Constituent Documents.

SECTION 3.15 Representations and Warranties in Loan Documents.

All representations and warranties made by each Credit Party in the Loan Documents are true and correct in all material respects as of the date of this Agreement and the Effective Date and as of any date that any Credit Party is expressly obligated to confirm the same under this Agreement or any other Loan Document.

SECTION 3.16 [Reserved.]

SECTION 3.17 No Default.

No Default has occurred and is continuing, nor is there any default under any Subscription Agreement. Neither any Credit Party nor any subsidiary thereof is in default in any material respect beyond any applicable grace period under or with respect to any of its Constituent Documents or any material agreement, instrument or undertaking to which it is a party or by which it or any of its property is bound in any respect, the existence of which default is likely to result in a Material Adverse Effect. No Investor is in default in any material respect beyond any applicable grace period under or with respect to any Subscription Agreement or any of the Investor REIT's Constituent Documents.

SECTION 3.18 Licenses, etc.

Each Credit Party and its subsidiaries has obtained and holds in full force and effect, all material franchises, licenses, permits, certificates, authorizations, qualifications, accreditations, easements, rights of way and other consents and approvals which are necessary for the operation of its business as presently conducted, the absence of which is likely to have a Material Adverse Effect.

SECTION 3.19 Compliance With Laws.

Each Credit Party and its subsidiaries is in compliance with all laws, rules, regulations, orders, judgments, writs and decrees of any Governmental Authority applicable to it or its property, including all building and zoning ordinances and codes, the failure to comply with which is likely to have a Material Adverse Effect.

SECTION 3.20 No Burdensome Restrictions.

Neither any Credit Party nor any subsidiary thereof is a party to any agreement or instrument or subject to any other obligation or any charter or corporate or partnership restriction, as the case may be, which, individually or in the aggregate, is likely to have a Material Adverse Effect.

SECTION 3.21 Brokers' Fees.

Neither any Credit Party nor any subsidiary thereof has dealt with any broker or finder with respect to the transactions contemplated by the Loan Documents or otherwise in connection with the Loan Documents.

SECTION 3.22 Reserved.

SECTION 3.23 Insurance.

Each Credit Party and each of its subsidiaries currently maintains all insurance which is required to be maintained by Section 5.03.

SECTION 3.24 Security Interests and Liens.

The Pledge and Security Agreement, the Control Agreement, the Cash Collateral Agreement, the Pledge Agreement and the financing statements filed (or, in the case of financing statements delivered to the Agent for filing, upon the filing thereof) create, as security for the Investor REIT Obligations, valid and enforceable, exclusive, perfected first priority security interests in and Liens on all of the Collateral in which the Investor REIT has any right, title or interest, in favor of the Agent as agent for the Secured Parties, subject to no other Liens, except as enforceability may be limited by applicable insolvency, bankruptcy or other laws affecting creditors' rights generally, or general principles of equity, whether such enforceability is considered in a proceeding in equity or at law. Such security interests in and Liens on the Collateral in which the Investor REIT has any right, title or interest shall be superior to and prior to the rights of all third parties in such Collateral, and, other than in connection with any future change in the Investor REIT's name, identity or structure or the location of the Investor REIT's chief executive office, no further recordings or filings are or will be required in connection with the creation, perfection or enforcement of such security interests and Liens, other than the filing of continuation statements in accordance with applicable law. Each Lien referred to in this Section 3.24 is and shall be the sole and exclusive Lien on the Collateral in which the Investor REIT has any right, title or interest. The Investor REIT shall not grant or create (and shall not suffer any other Person to grant or create) any other Liens on any Collateral, whether junior, equal or superior in priority to the Liens created by the Loan Documents.

SECTION 3.25 Organizational Documents.

The documents delivered pursuant to Section 4.01(j) constitute, as of the Effective Date, all of the Constituent Documents (together with all amendments and modifications thereof) of each Deal Party and the Portfolio Manager. The Borrower represents that it has delivered to the Agent true, correct, and complete copies of each of the documents set forth in this Section.

SECTION 3.26 Principal Offices.

The principal office, chief executive office and principal place of business of each Credit Party is located at 505 Montgomery Street, 5th Floor, San Francisco, California 94111.

SECTION 3.27 Capital Commitments and Investors.

Schedule 3.27 sets forth the names of all of the Investors and their respective Capital Commitments and Unpaid Capital Obligations as of the Effective Date. Schedule 3.27 also indicates which Investors, if any, are (i) organized under the laws of any jurisdiction other than the United States of America or any state thereof or (ii) a Governmental Authority or an instrumentality of a Governmental Authority or majority owned by a Governmental Authority or otherwise entitled to any immunity in respect of any litigation in any jurisdiction, court or venue. Schedule 3.27 also indicates, as of the Effective Date, (i) the aggregate Capital Commitments, (ii) the aggregate amount of Capital Calls made on or prior to the Effective Date, (iii) the aggregate amount of such Capital Calls that have been funded, and (iv) the aggregate amount of such Capital Calls that remain to be funded, all of which amount remaining to be funded is the subject of Pending Capital Calls. Each of the Subscription Agreements is in the form previously

furnished to the Agent except for the completion of blank spaces, the date and the name of the Investor, and except for such other changes as the Investor REIT may specify in writing to the Agent (which the Investor REIT may do by marking a copy to highlight or otherwise indicate the changes).

SECTION 3.28 Subsidiaries.

The direct and indirect Subsidiaries of each Credit Party and their respective business forms, jurisdictions of organization, addresses, respective equity owners and respective ownership interests thereof, including diagrams or charts showing the structure and ownership of each such Subsidiary, are set forth on Schedule 3.28 as may be amended from time to time pursuant to supplements furnished from time to time to the Agent. Except as so disclosed on Schedule 3.28, no Credit Party has any direct or indirect Subsidiaries or investments in, or joint ventures or partnerships with (or other arrangements under which it may become liable for any obligations of any entity by virtue of holding an equity interest therein), any Person as of the Effective Date.

SECTION 3.29 Subscription Facility.

The obligations of the Investor REIT under this Agreement constitute a "Guarantee" as defined in each Subscription Agreement. The Secured Parties collectively constitute the "Lenders" as defined in each Subscription Agreement. The assignment or pledge pursuant to the Loan Documents by the Investor REIT of the Subscription Agreements and Capital Commitments of the Investors and the execution and delivery of the Investor Letters by the Investor REIT as attorney-in-fact for the Investors are expressly authorized by Section 5.7 of each Subscription Agreement.

SECTION 3.30 Year 2000.

Substantially all reprogramming required to permit the proper functioning, in and following the year 2000, of (i) computer systems of the Portfolio Manager, the Deal Parties or their respective subsidiaries, (ii) equipment of the Portfolio Manager, the Deal Parties or their respective subsidiaries containing embedded microchips, and (iii) to the best of each Credit Party's knowledge, systems and equipment supplied by others but used by the Portfolio Manager, the Deal Parties or any of their respective subsidiaries or with which systems of the Portfolio Manager, the Deal Parties or any of their respective subsidiaries interfaces and the testing of all such systems and equipment, as so reprogrammed, has been completed. The cost to the Portfolio Manager, the Deal Parties and their respective subsidiaries of such reprogramming and testing and of the reasonably foreseeable consequences of year 2000 programming, systems and equipment failures to the Portfolio Manager, the Deal Parties and their respective subsidiaries (including reprogramming errors and the failure of others' systems or equipment) will not result in a Default or a Material Adverse Effect. The computer and management information systems of the Portfolio Manager, the Deal Parties and their respective subsidiaries are and, with ordinary course upgrading and maintenance, will continue for the term of this Agreement to be, sufficient to permit each of the Credit Parties and their respective subsidiaries to conduct its business without a Material Adverse Effect.

SECTION 3.31 REIT Status.

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

ARTICLE IV

CONDITIONS

SECTION 4.01 Effective Date.

The obligations of the Lenders to make Loans and of the Issuing Bank to issue Letters of Credit hereunder shall not become effective until the date when each of the following conditions is satisfied (or waived in accordance with Section 9.02), each document described below to be dated the Effective Date unless otherwise indicated:

(a) The Agent shall have received from each party hereto either (i) a counterpart of this Agreement signed on behalf of such party or (ii) written evidence satisfactory to the Agent (which may include telecopy transmission of a signed signature page of this Agreement) that such party has signed a counterpart of this Agreement.

(b) The Agent shall have received from the Borrower a signed promissory note for the account of each Lender requesting the same, in form reasonably satisfactory to the Agent.

(c) The Agent shall have received from each party thereto either (i) a counterpart of the Pledge and Security Agreement, the Cash Collateral Agreement, the Control Agreement, the Pledge Agreement, and the Recognition Agreement signed on behalf of such party or (ii) written evidence satisfactory to the Agent that such party has signed a counterpart thereof.

(d) The Agent shall have received copies of fully executed Subscription Agreements (dated as of a date not later than the Effective Date) from all Investors as of the Effective Date.

(e) Except as set forth on Schedule 4, the Agent shall have received signed original Investor Letters (dated as of a date not later than the Effective Date) from all Investors as of the Effective Date.

(f) The Agent shall have received from the Investor REIT signed UCC financing statements satisfactory to the Agent with respect to the Pledge Agreement, the Pledge and Security Agreement and the Cash Collateral Agreement or written evidence satisfactory to the Agent that the same have been filed or submitted for filing in the appropriate public filing office(s).

(g) The Agent shall have received a written opinion (addressed to the Agents, the Issuing Bank and the Lenders) of Orrick, Herrington & Sutcliffe LLP, counsel to the Deal

Parties, of Ballard Spahr Andrews & Ingersoll, LLP, Maryland counsel to the Investor REIT and the Portfolio Manager, and of David S. Fries, Esq., counsel to the Managing GP and AMB REIT, substantially in the form of Exhibit 4.01(g), and covering such other matters relating to the Portfolio Manager, the Deal Parties, their respective Constituent Documents, the Loan Documents, or the Transactions as the Agent or the Required Lenders shall reasonably request. Each Credit Party hereby requests such counsel to deliver such opinions, which may be delivered by telecopy to the Agent, with the signed originals to follow within seven (7) days after the Effective Date.

(h) The Agent shall have received an Investor Opinion from counsel to each Included Investor (other than any Investor listed as an "Opinion Waiver Investor" on Schedule 1.01(B)) as of the Effective Date. For each Included Investor, other than any Investor listed as a "Permanent Foreign Waiver Investor" or a "Temporary Foreign Waiver Investor" on Schedule 1.01B, that is (i) organized under the laws of any jurisdiction other than the United States of America or any state thereof or (ii) a Governmental Authority or an instrumentality of a Governmental Authority or majority-owned by a Governmental Authority or otherwise entitled to any immunity in respect of any litigation in any jurisdiction, court or venue, such Investor Opinion shall, among other things, cover the matters described in Section 2.19(c)(iii)(B) and (C), as applicable, and the Agent shall have received in respect of such Investor the submission to jurisdiction and/or waiver of any immunity described in such subsections, as applicable. In addition, for each Investor Letter signed by an attorney-in-fact, the Agent shall have received a written opinion (addressed to the Agents, the Issuing Bank and the Lenders) of Orrick, Herrington & Sutcliffe LLP, counsel to the Deal Parties, in form and substance satisfactory to the Agent in its sole and absolute discretion, that such attorney-in-fact was authorized to execute such Investor Letter on behalf of the relevant Investor and that such Investor Letter is as binding upon the relevant Investor as if that Investor had itself executed the Investor Letter. Each Credit Party hereby requests such counsel to deliver such opinions.

(i) Except as set forth on Schedule 4, the Agents shall have received all fees and other amounts due and payable on or prior to the Effective Date, including pursuant to the Fee Letter and, to the extent invoiced, reimbursement or payment of all expenses required to be reimbursed or paid by the Borrower hereunder, including the reasonable fees and disbursements invoiced through the Effective Date of Chase's special counsel, Moses & Singer LLP.

(j) Except as set forth on Schedule 4, the Agent shall have received such documents and certificates as the Agent or its counsel may reasonably request relating to the organization, existence and good standing of the Portfolio Manager, the Deal Parties, the authority of the Transactions, and any other matters relevant hereto, all in form and substance reasonably satisfactory to the Agent, certified to be true, correct and complete by a Responsible Officer of the Borrower as of the Effective Date.

(k) The Agent shall have received a certificate from a Responsible Officer of each Credit Party (i) confirming compliance with the conditions specified in Sections 4.02(c) and 4.02(d) and (ii) confirming that all conditions under the Subscription Agreements or the Investor REIT's Constituent Documents to the Investor REIT's calling for Capital Contributions have been fulfilled.

(l) The Agent shall have received from each Credit Party a signed certificate of a Responsible Officer thereof which shall certify the names of the Persons authorized to sign the Loan Documents to be delivered pursuant to the terms hereof by such Credit Party, together with the signatures of each such Person and a certificate of another Responsible Officer of such Credit Party,

certifying as to the signature of such first Responsible Officer.

(m) The Agent shall have received an Acquisition Certificate with respect to each Real Estate Interest acquired on or prior to the Effective Date.

(n) The Agent shall have received written opinions (addressed to the Agents, the Issuing Bank and the Lenders) of Orrick, Herrington & Sutcliffe LLP, counsel to the Credit Parties, substantially in the form of Exhibit 4.01(n), concerning the status of the Borrower and the Investor REIT as a VCOC or REOC and that neither the execution, delivery or performance of the Investor Letters nor any of the Transactions will constitute a nonexempt prohibited transaction (as such term is defined in Section 4975 of the Code or Section 406 of ERISA) that could subject any Secured Party to any tax or penalty on prohibited transactions imposed under Section 4975 of the Code or Section 502(i) of ERISA, and covering such other matters relating to ERISA or the Code as the Agent or the Required Lenders shall reasonably request. Each Credit Party hereby requests such counsel to deliver such opinions, which may be delivered by telecopy to the Agent, with the signed originals to follow within seven (7) days after the Effective Date.

(o) The Agent shall have received (i) a certificate from a Responsible Officer of the Investor REIT attaching, to the extent in the Investor REIT's possession, true and complete copies of the Constituent Documents of each Investor and of documentation evidencing the authorization of each Investor to execute and deliver its Subscription Agreement and Investor Letter, or (ii) such other documentation (if any) in lieu thereof as the Agent may require in its sole and absolute discretion.

(p) [Reserved].

(q) The Agent shall have received, in form and substance satisfactory to the Agent in its sole and absolute discretion, one or more written agreements effecting the subordinations referred to in Section 2.19(d)(iii) and (iv) or written evidence satisfactory to the Agent (which may include telecopy transmission of a signed signature page thereof) that such party has signed such agreement(s).

The Agent shall notify the Borrower, the Issuing Bank and the Lenders of the Effective Date, and such notice shall be conclusive and binding.

SECTION 4.02 Borrowings.

The obligation of each Lender to make a Loan on the occasion of any Borrowing and the obligation of the Issuing Bank to issue, amend, renew or extend any Letter of Credit is subject to the satisfaction of the following conditions:

(a) receipt by the Agent of a Borrowing Request, or the application and information required by Section 2.04 in connection with the issuance of a Letter of Credit;

(b) immediately after such Borrowing, the sum of the Revolving Credit Exposures will not exceed the Available Borrowing Amount and, with respect to each Lender (including after giving effect to its participations in Letters of Credit), such Lender's Revolving Credit Exposure will not exceed such Lender's Commitment;

(c) no Default shall have occurred and be continuing immediately before or after giving effect to the making of such Loans or the issuance, amendment, renewal or extension of such Letter of Credit;

(d) the representations and warranties of each Credit Party contained in this Agreement and the other Loan Documents shall be true and correct in all material respects on and as of the date of such Borrowing both before and after giving effect to the making of such Loans or the issuance, amendment, renewal or extension of such Letter of Credit; and since the Effective Date there shall have been no material adverse change in the business, assets, operations, prospects or condition, financial or otherwise, of the Borrower and its Subsidiaries, taken as a whole, or of the Investor REIT and its subsidiaries, taken as a whole;

(e) no law or regulation shall have been adopted, no order, judgment or decree of any Governmental Authority shall have been issued, and no litigation shall be pending or threatened, which enjoins, prohibits or restrains (or with respect to any litigation seeks to enjoin, prohibit or restrain), the making or repayment of the Loans or the reimbursement of LC Disbursements, the issuance of any Letter of Credit or any participations therein or the consummation of any of the other Transactions;

(f) no event, act or condition shall have occurred and be continuing after the Effective Date which, in the reasonable judgment of the Agent, has had or is likely to have a Material Adverse Effect;

(g) the Investor REIT shall have delivered to the Agent each signed original Investor Letter and a copy of each executed Subscription Agreement not previously delivered under this Section or Section 4.01; and

(h) receipt by the Agent of a certificate of the Investor REIT in the form set forth as Exhibit 4.02(h) setting forth the Investors and the Capital Commitment and Unpaid Capital Obligation of each Investor as of the date of such Borrowing.

Each Borrowing hereunder shall be deemed to be a representation and warranty by the Borrower on the date of such Borrowing as to the facts specified in clauses (b), (c), (d), (e), (g) and (h) of this Section.

ARTICLE V

COVENANTS

Until the Commitments have expired or been terminated and the principal of and interest on each Loan and all fees payable hereunder shall have been paid in full and all Letters of

Credit shall have expired or terminated and all LC Disbursements shall have been reimbursed, each Credit Party covenants and agrees that:

SECTION 5.01 Information.

(a) Each Credit Party will deliver to each Secured Party as soon as available and in any event within ninety (90) days after the end of each fiscal year of such Credit Party, audited financial statements of such Credit Party (with supporting schedules in form satisfactory to the Agent), including a consolidated balance sheet of such Credit Party and its consolidated subsidiaries as of the end of such fiscal year and the related consolidated statements of operations and cash flows for such fiscal year, setting forth in each case in comparative form (commencing with the first fiscal year for which such Credit Party had a corresponding prior fiscal period) the figures for the previous fiscal year (if any), all reported on by Arthur Andersen or other independent public accountants of nationally recognized standing (without a "going concern" or like qualification or exception and without any qualification or exception as to the scope of such audit) to the effect that such consolidated financial statements present fairly in all material respects the financial condition and results of operations of such Credit Party and its consolidated subsidiaries on a consolidated basis in accordance with GAAP consistently applied;

(b) Each Credit Party will deliver to each Secured Party as soon as available and in any event within sixty (60) days after the end of each of the first three quarters of each fiscal year of such Credit Party, a consolidated balance sheet of such Credit Party and its consolidated subsidiaries as of the end of such quarter and the related consolidated statements of operations and cash flows for such quarter and for the portion of such Credit Party's fiscal year ended at the end of such quarter, setting forth in each case in comparative form (commencing with the first fiscal quarter for which such Credit Party had a corresponding quarter in the prior fiscal year) the figures for the corresponding period or periods of the previous fiscal year (if any), together with supporting schedules in form satisfactory to the Agent; provided that such quarterly financial statements shall not be required in respect of the quarter ending September 30, 1999;

(c) The Investor REIT will deliver to each Secured Party concurrently with the delivery of each set of its financial statements referred to in Section 5.01(a) or 5.01(b), a certificate of a Responsible Officer of the Investor REIT (the "Investors' Commitments Certificate") substantially in the form attached as Exhibit 5.01(c), (i) setting forth the respective Capital Commitments and Unpaid Capital Obligations of each Investor and a calculation of the Available Borrowing Amount (all as of the end of the relevant quarter), (ii) specifying changes, if any, in the names of Investors, and (iii) listing all Subsequent Investors who have not satisfied each of the requirements of Section 2.19(c)(i);

(d) Each Credit Party will deliver to each Secured Party simultaneously with the delivery of each set of financial statements referred to in Section 5.01(a) or 5.01(b), a certificate of a Responsible Officer, (i) stating whether any Default exists on the date of such certificate and, if any Default then exists, setting forth the details thereof and the action which such Credit Party is taking or proposes to take with respect thereto; and (ii) certifying (x) that such financial statements fairly present the financial condition and the results of operations and cash flows of such Credit Party and its consolidated subsidiaries on the dates and for the periods indicated, in accordance with GAAP consistently applied, subject, in the case of interim

financial statements,

to normally recurring year-end adjustments and the absence of footnotes, and (y) that such officer has reviewed the terms of the Loan Documents and has made, or caused to be made under his or her supervision, a review in reasonable detail of the business and condition of such Credit Party during the period beginning on the date through which the last such review was made pursuant to this Section 5.01(d) (or, in the case of the first certification pursuant to this Section 5.01(d), the Effective Date) and ending on a date not more than ten (10) Business Days prior to the date of such delivery and that on the basis of such review of the Loan Documents, the Unpaid Capital Obligations of the Investors, the use of the proceeds of the Loans and the use of the Letters of Credit and the business and condition of such Credit Party, to the actual knowledge of such officer, no Default occurred or, if any such Default has occurred, specifying the nature and extent thereof and, if continuing, the action such Credit Party proposes to take in respect thereof;

(e) Each Credit Party will deliver to each Secured Party promptly and in any event within five (5) days after any Responsible Officer of such Credit Party obtains knowledge of (i) any Default, if such Default is then continuing, (ii) any litigation or governmental proceeding pending or action threatened against or involving the Portfolio Manager or any Deal Party or any Real Estate Interest of the Borrower or any of its Subsidiaries as to which there is a reasonable possibility of an adverse determination and which, if adversely determined, is reasonably likely to, individually or in the aggregate, result in a Material Adverse Effect, (iii) any monetary or other material default, if such default is then continuing, under any Permitted Recourse Debt, or (iv) any other event, act or condition which is likely to result in a Material Adverse Effect, a certificate of a Responsible Officer of such Credit Party, setting forth the details thereof and the action which such Credit Party is taking or proposes to take with respect thereto.

(f) The Investor REIT will deliver to each Secured Party to the extent not otherwise provided hereunder, promptly upon the sending thereof to Investors generally, copies of all financial statements, material reports, material notices and other material information relating to any Credit Party so sent;

(g) The Investor REIT will deliver to each Secured Party promptly upon the receipt thereof, copies of all financial statements, material reports, material notices, and other material information received by the Investor REIT from Investors, including notices of default, notices of the election or exercise of rights or remedies under the Investor REIT's Constituent Documents or any Subscription Agreement, notices relating in any way to an Investor's Capital Commitment and any notice containing any reference to misconduct of the Investor REIT;

(h) Each Credit Party will deliver to each Secured Party promptly and in any event within ten (10) Business Days after such Credit Party obtains actual knowledge of any of the following events, a certificate of a Responsible Officer of such Credit Party, specifying the nature of such condition and such Credit Party's or, if such Credit Party has actual knowledge thereof, the Environmental Affiliate's proposed initial response thereto: (i) the receipt by such Credit Party, or, if such Credit Party has actual knowledge thereof, receipt by any of the Environmental Affiliates, of any written communication, whether from a Governmental Authority, citizens group, employee or otherwise, that alleges that such Credit Party, or, if such Credit Party has actual knowledge thereof, any of the Environmental Affiliates, is not in compliance with any applicable Environmental Law, and such noncompliance is likely to have a Material Adverse Effect, (ii) such Credit Party shall obtain actual knowledge that there exists any Environmental

Claim pending or threatened against such Credit Party or any Environmental Affiliate as to which there is a reasonable possibility of an adverse determination and which, if adversely determined, is reasonably likely to, individually or in the aggregate, result in a Material Adverse Effect or (iii) such Credit Party obtains actual knowledge of any release, emission, discharge or disposal of any Hazardous Materials that is likely to form the basis of any Environmental Claim against such Credit Party or any Environmental Affiliate as to which there is a reasonable possibility of an adverse determination and which, if adversely determined, is reasonably likely to, individually or in the aggregate, result in a Material Adverse Effect;

(i) Each Credit Party will deliver to each Secured Party from time to time such additional information regarding the financial position or business of each Credit Party and its subsidiaries as the Agent, at the request of the Issuing Bank or any Lender, may reasonably request in writing (including information or documentation as to the status of their efforts to address year 2000 computer related considerations);

(j) The Investor REIT will deliver to each Secured Party upon the sending of a Capital Demand Notice, (i) a copy of such Capital Demand Notice and (ii) an Investors' Commitments Certificate completed assuming each Investor complies with its obligation to fund its Unpaid Capital Obligations pursuant to such Capital Demand Notice;

(k) The Investor REIT will deliver to each Secured Party (i) to the extent otherwise available, within ninety (90) days after the end of the fiscal year of each Investor, such Investor's financial statements as of the end of such fiscal year, reported on by independent public accountants to the extent available, and (ii) from time to time upon the request of the Agent, a certificate of any Investor setting forth the remaining amount of its Capital Commitment which it is obligated to fund;

(l) The Borrower will deliver to each Secured Party as soon as available and in any event within sixty (60) days after the end of each quarter of each fiscal year of the Borrower, a completed and signed Acquisition Certificate with respect to each Real Estate Interest acquired by the Borrower or its Subsidiaries during such quarter;

(m) The Investor REIT will deliver to each Secured Party promptly and in any event within five (5) Business Days after the Investor REIT obtains actual knowledge of the occurrence of an Investor Disqualification Event concerning an Included Investor, a notice setting forth the Investor Disqualification Event, the Investor REIT's calculation of the Available Borrowing Amount after taking into account such Investor Disqualification Event, and the Investor REIT's calculation of the amount (if any) which the Investor REIT is required to repay pursuant to Section 2.10 as a result of such Investor Disqualification Event;

(n) [Reserved]

(o) At the request of the Agent, each Credit Party will deliver to each Secured Party promptly and in any event within sixty (60) days after the first day of each Annual Valuation Period for such Credit Party, a legal opinion (in form and substance reasonably acceptable to the Agent) of Orrick, Herrington & Sutcliffe LLP (or other counsel for such Credit

Party reasonably acceptable to the Agent) that such Credit Party has remained and still is a VCOC or REOC; and

(p) Each Credit Party will deliver to each Secured Party promptly and in any event within five (5) Business Days after receipt thereof, a copy of any management letter or management report from the accountants referred to in Section 5.01(a).

SECTION 5.02 Payment of Obligations.

Each Credit Party will, and will cause each of its subsidiaries to, pay and discharge, at or before maturity, all of its respective material obligations and liabilities, including any obligation pursuant to any agreement by which it or any of its properties is bound and any Tax liabilities, except where (i) the validity or amount thereof is being contested in good faith by appropriate proceedings diligently pursued, (ii) such Credit Party or such subsidiary has set aside on its books adequate reserves with respect thereto in accordance with GAAP and (iii) the failure to make payment pending such contest could not reasonably be expected to result in a Material Adverse Effect.

SECTION 5.03 Maintenance of Property; Insurance.

(a) Each Credit Party will, and will cause each of its subsidiaries to, keep and maintain all property useful and necessary in its business in good working order and condition (ordinary wear and tear excepted), except where the failure to do so could not reasonably be expected to result in a Material Adverse Effect.

(b) Each Credit Party (i) shall maintain, and cause each of its subsidiaries to maintain, with financially sound and reputable insurers, insurance in such amounts and against such risks as are customarily maintained by reputable companies under similar circumstances, and (ii) shall furnish to the Agent from time to time, upon written request, copies of certificates of insurance under which such insurance is issued and such other information relating to such insurance as such Lender, the Issuing Bank or the Agent may reasonably request.

SECTION 5.04 Conduct of Business; Limitations on Investor REIT Activities.

(a) Each Credit Party will engage only in business of the type contemplated by the Placement Memorandum and such Credit Party's Constituent Documents as in effect on the Effective Date.

(b) The Investor REIT shall have no Indebtedness of any kind or engage in activities of any kind other than (i) owning its limited partnership interest in the Borrower and fulfilling its obligations as a limited partner of the Borrower, (ii) enforcing the Capital Commitments of the Investors, (iii) maintaining its existence and good standing, (iv) satisfying the Investor REIT Obligations, (v) paying dividends or distributions expressly permitted to be paid under Section 5.09(a), and (vi) engaging in activities incidental to any of the foregoing. The Investor REIT shall not (i) enter into any merger or consolidation, (ii) Transfer all or any substantial portion of its assets, (iii) suffer its partnership interest in the Borrower to be less than a substantial majority interest, (iv) liquidate, windup or dissolve (or suffer any liquidation or

dissolution), or (v) amend any of its Constituent Documents without the prior written consent of the Agent, the Issuing Bank and the Lenders in their sole and absolute discretion.

SECTION 5.05 Compliance with Laws.

(a) Each Credit Party will comply, and will cause each of its subsidiaries to comply, with all applicable laws, ordinances, rules, regulations, and requirements of Governmental Authorities (including ERISA, Environmental Laws, and all zoning and building codes with respect to the Real Estate Assets) except where the failure to do so, individually or in the aggregate, could not reasonably be expected to result in a Material Adverse Effect.

(b) In the ordinary course of its business, the Borrower shall conduct a periodic review of the effect of Environmental Laws on the business, operations and properties of the Borrower and its Subsidiaries, in the course of which it shall seek to identify and evaluate applicable liabilities and costs (including any capital or operating expenditures required as a matter of Environmental Law for clean-up or closure of properties presently or previously owned, any capital or operating expenditures required as a matter of Environmental Law to achieve or maintain compliance with Environmental Law or as a condition of any license, permit or contract to which Borrower or any Subsidiary is a party or a beneficiary, any related constraints on operating activities, including any periodic or permanent shutdown of any facility or reduction in the level of or change in the nature of operations conducted thereat, any costs or liabilities in connection with off-site disposal of wastes or Hazardous Materials, and any actual or potential liabilities to third parties, including employees, and any related costs and expenses). The Borrower shall notify the Agent immediately if, on the basis of any such review, the Borrower has reasonably concluded that such associated potential liabilities and costs, including the costs of compliance with Environmental Laws, are likely to have a Material Adverse Effect.

SECTION 5.06 Inspection of Property, Books and Records.

Each Credit Party will keep, and will cause each of its subsidiaries to keep, proper books of record and account in which full, true and correct entries shall be made of all material financial matters and transactions in relation to its business and activities; and will permit representatives of the Agent, the Issuing Bank or any Lender (at such Person's expense prior to the occurrence of an Event of Default) to visit and inspect any of its properties, to examine and make abstracts from any of its books and records and to discuss its affairs, finances and accounts with its officers, employees and independent public accountants, all at such reasonable times and as often as reasonably requested.

SECTION 5.07 Existence.

Each Credit Party shall do or cause to be done, and cause each of its subsidiaries to do or cause to be done, all things reasonably necessary to preserve and keep in full force and effect its existence and its tradenames, licenses, permits, certificates, authorizations, qualifications, accreditations, easements, rights of way and other rights, consents and approvals the nonexistence of which is likely to have a Material Adverse Effect.

SECTION 5.08 Subscription Account.

The Investor REIT shall establish and maintain with the Agent the Subscription Account into which all Capital Contributions contributed by the Investors shall be deposited and maintained until application of the same in accordance with Section 2.19 and the Cash Collateral Agreement.

SECTION 5.09 Distributions; Debt; Rate Hedging Agreements.

(a) Dividends and Distributions; Redemptions.

(i) Neither the Borrower nor the Investor REIT shall declare or pay any dividends or distributions except as permitted under its Constituent Documents.

(ii) Neither the Borrower nor the Investor REIT shall declare or pay any dividends or distributions during the continuance of any Event of Default under Section 6.01(a)(i), (ii) or (iv).

(iii) The Investor REIT shall not, while any Investor REIT Obligation is outstanding, make any payment to purchase, redeem, retire or acquire any of its capital stock or any option, warrant or other right to acquire such capital stock.

(b) No Additional Debt.

(i) Except as expressly permitted in clause (ii) below, the Borrower shall not create, incur, assume, suffer to exist or otherwise become or remain directly or indirectly liable with respect to any Indebtedness other than under this Facility.

(ii) Subject to clause (iii) below, the following Indebtedness of the Borrower shall be permitted under Section 5.09(b):

(A) Indebtedness that is non-recourse to the Borrower (other than for customary carve-outs, including for environmental indemnities); provided that such Indebtedness shall not be permitted under this clause (A) if in connection therewith a personal recourse claim is established by judgment, decree or award by any court of competent jurisdiction or arbitrator of competent jurisdiction and execution or enforcement thereof shall not be effectively stayed for 30 consecutive days or such Indebtedness shall not be paid or otherwise satisfied within such 30-day period; and

(B) (x) Indebtedness for trade payables incurred in the ordinary course of business and Indebtedness arising from the endorsement of instruments for collection in the ordinary course of business; (y) Indebtedness (contingent or otherwise) relating to Rate Hedging Agreements; and (z) other recourse Indebtedness; provided that the aggregate principal amount of Indebtedness (exclusive of customary recourse carve-outs as to which no personal recourse claim has been established by judgment, decree or award by any court of competent jurisdiction or arbitrator of competent jurisdiction) permitted under the foregoing clauses (y) and (z) shall at no time exceed the lesser of $50,000,000.00 or 20% (twenty percent) of the aggregate Capital Commitments at such time.

(iii) Notwithstanding the foregoing clause (ii), at no time shall the Borrower incur, create, assume, suffer to exist or otherwise become or remain directly or indirectly liable in respect of any Indebtedness in contravention of any provision of any of its Constituent Documents or Placement Memorandum providing debt or leverage limitations for the Borrower.

(iv) This Section 5.09(b) does not limit Indebtedness of Subsidiaries or Affiliates of the Borrower, but does limit Guarantees or other contingent obligations of the Borrower relating to any Indebtedness of Subsidiaries or Affiliates of the Borrower.

(c) Rate Hedging Agreements.

The Borrower will not, and will not permit any of its Subsidiaries to, enter into any Rate Hedging Agreement other than Rate Hedging Agreements entered into in the ordinary course of business (not for purposes of speculation) to hedge or mitigate risks related to interest rates or currency exchange rates to which the Borrower or any Subsidiary is exposed in the conduct of its business or the management of its liabilities.

SECTION 5.10 Restriction on Fundamental Changes.

(a) The Borrower shall not (i) enter into any merger or consolidation, unless the Borrower is the surviving entity and no Default exists after giving effect thereto, (ii) liquidate, windup or dissolve (or suffer any liquidation or dissolution), terminate, or discontinue its business, or (iii) except to a Subsidiary, convey, lease, sell, transfer or otherwise dispose of, in one transaction or a series of transactions, all or any substantial part of its business or property, whether now or hereafter acquired. Nothing in this Section 5.10(a) shall be deemed to prohibit (i) the leasing of portions of the Real Estate Assets in the ordinary course of business for occupancy by the tenants thereunder, (ii) the sale of Real Estate Assets in the ordinary course of business, or (iii) the contribution by the Borrower of assets not constituting (individually or in the aggregate) a majority of its assets to a Person in consideration for an equity interest in such Person provided that (A) such equity interest represents a fair value for the assets so contributed and

(B) notice of such contribution and the details thereof are given to Agent at least thirty (30) days (or such shorter period as is acceptable to the Agent in its sole and absolute discretion) prior to such contribution.

(b) No Credit Party shall amend or waive (or cause or permit to be amended or waived) any instructions to pay Capital Commitments to the Subscription Account or any of the provisions of any Subscription Agreement or any Constituent Document of any Credit Party, in any material respect, without the prior written consent of the Agent, which consent will not be unreasonably withheld or delayed if, in the opinion of the Agent, such amendment or waiver would not be adverse to any of the Secured Parties; provided that the Investor REIT shall not amend any of its Constituent Documents without the prior written consent of the Agent, the Issuing Bank and the Lenders in their sole and absolute discretion. The relevant Credit Party will deliver a written notice to the Agent setting forth the specific details of the proposed amendment and/or waiver at least ten (10) days (or such lesser period as may be acceptable to the Agent in its sole and absolute discretion) prior to its proposed effective date. Without limiting the generality of the foregoing, any amendment or waiver shall be deemed to be adverse to the interests of the

Lenders if it (i) may adversely affect the obligations of the Investors to make payments of Capital Commitments, (ii) may otherwise adversely affect the Collateral for the Obligations or Investor REIT Obligations, or (iii) would amend any Constituent Document of the Borrower in any way that would permit consolidated leverage (excluding this Facility) greater than 65% (sixty-five percent).

(c) Notwithstanding the foregoing, the Investor REIT may enter into new Subscription Agreements with investors to purchase shares of Capital Stock of the Investor REIT. The Investor REIT shall furnish to the Agent notice thereof no less than ten (10) days after the delivery of such Subscription Agreements to the Investor REIT.

SECTION 5.11 Capital Calls and Capital Commitments.

The Investor REIT shall not make any Capital Calls in contravention of this Agreement. No Capital Call shall be made unless, simultaneously with the delivery of notice of such Capital Call to the Investors, (a) the Investor REIT has provided the Agent with a copy of the relevant Capital Demand Notice, (b) the Investor REIT has provided the Agent with an Investors' Commitments Certificate, (c) except in the case of a Capital Call in accordance with Section 2.19(b)(vi), no Event of Default shall have occurred and be continuing, and (d) the proceeds of such Capital Call are deposited into the Subscription Account pursuant to Section 2.19 and the Cash Collateral Agreement. The Investor REIT shall not waive, amend, modify, cancel, release, terminate or change in any manner the Capital Commitment of any of the Investors or the obligation of any Investor to fund the same pursuant to Capital Calls, without the prior written consent of the Agent, which consent shall not be unreasonably withheld or delayed if, in the opinion of the Agent in its sole and absolute discretion, such action would not be adverse to the Secured Parties.

SECTION 5.12 No Liens.

Neither the Borrower nor the Investor REIT shall create or suffer to exist any mortgage, pledge, security interest or other Lien or encumbrance on (i) the right to make Capital Calls, (ii) the Capital Commitments, (iii) the Investor REIT's direct or indirect interest as a limited partner of the Borrower, (iv) any other Collateral, except pursuant to the Loan Documents, or (v) the Excluded Assets; provided that the Investor REIT's interest in the Borrower may be subject to a junior security interest in favor of the Borrower's other partners pursuant to the Borrower's Constituent Documents provided that such junior security interest is subordinated to the Agent's satisfaction to the first priority security interest therein in favor of the Agent.

SECTION 5.13 Fiscal Year; Fiscal Quarter.

Neither the Borrower nor the Investor REIT shall change its fiscal year or any of its fiscal quarters, without the Agent's prior written consent, which consent shall not be unreasonably withheld or delayed.

SECTION 5.14 Employees.

Neither the Borrower nor the Investor REIT shall employ or engage any employees at any time.

SECTION 5.15 Margin Stock.

The Borrower will not, directly or indirectly, use the proceeds

of any Loan or use any Letter of Credit in a manner which will violate or be inconsistent with Regulations T, U, or X of the Board.

SECTION 5.16 ERISA.

Each of the Borrower and the Investor REIT shall at all times be qualified as a VCOC or REOC or otherwise comply with an exception set forth in the Plan Asset Regulation such that none of the assets of the Borrower or the Investor REIT is subject to Title 1 of ERISA. Neither the Borrower nor the Investor REIT shall take any action, or omit to take any action, which would give rise to a nonexempt prohibited transaction (as such term is defined in Section 4975 of the Code or Section 406 of ERISA) that could subject any Secured Party to any tax or penalty on prohibited transactions imposed under Section 4975 of the Code or Section 502(i) of ERISA.

SECTION 5.17 Other Managing General Partner.

No additional or substitute managing general partner shall be admitted to the Borrower without the prior written consent of the Agent, the Issuing Bank and the Required Lenders in their sole and absolute discretion.

SECTION 5.18 Investments, Loans, Etc.

The Borrower will not, and will not permit any of its Subsidiaries to, make any investments (by way of capital contribution or otherwise) in or loans or advances to any Person other than (a) investments in or loans or advances to Subsidiaries or the Borrower, (b) investments in Real Estate Interests, (c) Permitted Investments, (d) Guarantees constituting Indebtedness permitted by Section 5.09(b), and (e) other loans or advances in the ordinary course of business not exceeding $50,000.00 in the aggregate; provided that no investment, loan or advance shall be permitted under this Section unless it is also permitted under the Borrower's Constituent Documents and not inconsistent with the Placement Memorandum.

SECTION 5.19 Prohibited Transfers.

(a) Transfers of Partner's Interest. Neither the Managing GP nor the Special GP nor the Investor REIT shall Transfer, voluntarily, involuntarily, by operation of law or otherwise, all or any part of its interest in the Borrower, except with the prior written consent of the Agent, the Issuing Bank and the Required Lenders in their sole and absolute discretion.

(b) Transfers of Investor Interests and Substitution of Investors. If the Investor REIT shall receive any request for the sale, assignment, pledge, grant of a security interest in, transfer or other disposition (each, a "Transfer") of the interest of any Investor, it shall promptly

notify the Agent and shall send to the Agent all information about such proposed Transfer and the proposed transferee as it shall receive or otherwise become aware of. In the event that the Investor proposing to Transfer its interest (the "Transferor") is an Included Investor, then, prior to the effectiveness of any such Transfer, the Investor REIT shall request in writing the consent of the Agent, the Issuing Bank and the Super-Required Lenders (or all of the Lenders, if the proposed transferee does not satisfy the Applicable Requirement) to include the proposed transferee as an Included Investor, which consent may be granted or withheld in the sole and absolute discretion of the Agent, the Issuing Bank, and such Lenders. If the Agent, the Issuing Bank and such Lenders do not consent to the substitution of the proposed transferee as an Included Investor, the Investor REIT shall, prior to the effectiveness of any such Transfer or substitution, make a Capital Call to all existing Investors, including the Transferor, in the amount, if any, necessary to prevent the total Revolving Credit Exposures from exceeding the Available Borrowing Amount with such Available Borrowing Amount calculated assuming that the Transferor is not an Included Investor. The effectiveness of any Transfer by an Included Investor consented to by the Agent, the Issuing Bank, and such Lenders shall be contingent upon the receipt by the Agent of (i) an Investor Letter executed by the transferee, (ii) an Investor Opinion from counsel to the transferee (and, if such Investor Letter was signed by an attorney-in-fact, an opinion of the type described in the third sentence of Section 4.01(h)), (iii) if such transferee is organized under the laws of any jurisdiction other than the United States of America or any state thereof, a written submission to the jurisdiction of a United States Federal District Court and a United States state court with respect to any litigation arising out of or in connection with its Subscription Agreement or Investor Letter or any Constituent Document of the Borrower (such submission to be in form and substance satisfactory to the Agent in its sole and absolute discretion, including provisions relating to waiver of objections to venue, waiver of defense of inconvenient forum, and consent to service of process, and accompanied by an Investor Opinion as to the enforceability of such submission), and (iv) if such transferee is a Governmental Authority or an instrumentality of a Governmental Authority or majority-owned by a Governmental Authority or otherwise entitled to any immunity in respect of any litigation in

any jurisdiction, court or venue, a written waiver (in form and substance satisfactory to the Agent in its sole and absolute discretion) of any claim of any such immunity and an Investor Opinion that such waiver is enforceable or that such transferee and its property is not entitled to any immunity with respect to any litigation arising out of or in connection with its Subscription Agreement or Investor Letter or any Constituent Document of the Borrower.

SECTION 5.20 Transactions with Affiliates.

The Borrower will not, and will not permit any of its Subsidiaries to, Transfer (including any lease) any property to, or purchase, lease or otherwise acquire any property from, or otherwise engage in any other transactions with, any of its Affiliates, except (a) in the ordinary course of business at prices and on terms and conditions not less favorable to the Borrower or such Subsidiary than could be obtained on an arm's-length basis from unrelated third parties, (b) transactions between or among the Borrower and its Subsidiaries not involving any other Affiliates, (c) any dividend or distribution permitted by Section 5.09(a), (d) transactions (including the formation of joint ventures, partnerships, and other entities) between or among the Borrower, its Subsidiaries and joint ventures, partnerships, and other entities in which the Borrower directly or indirectly owns securities or other ownership interests representing at least 50% (fifty percent) of the equity or voting power, to the extent such transactions are permitted by

the Borrower's Constituent Documents, or (e) the payment of any fees owing to the Managing GP or the Portfolio Manager pursuant to the Borrower's Constituent Documents or the Portfolio Management Agreement, each as in effect on the Effective Date, or any indemnity obligations owing to the Investor REIT, the Managing GP or the Special GP pursuant to the Borrower's Constituent Documents as in effect on the Effective Date (provided that with respect to the Portfolio Management Fee and such indemnity obligations, such fees and indemnity obligations shall only be payable so long as no Event of Default shall have occurred and be continuing or would exist after giving effect thereto).

SECTION 5.21 Portfolio Management Agreement.

The Investor REIT will not terminate, assign, or encumber its rights under the Portfolio Management Agreement or permit the Portfolio Manager to cease to be at least 93% (ninety-three percent) owned and Controlled by the Managing GP; provided that the Portfolio Manager may be replaced with the prior written consent of the Agent, the Issuing Bank and the Required Lenders in their sole and absolute discretion.

SECTION 5.22 Maintain REIT Status.

The Investor REIT will operate its business at all times so as to satisfy all requirements necessary to qualify as a real estate investment trust under Sections 856 through 860 of the Code. The Investor REIT will maintain adequate records so as to comply with all record-keeping requirements relating to its qualification as a real estate investment trust as required by the Code and applicable regulations of the Department of the Treasury promulgated thereunder and will properly prepare and timely file with the Internal Revenue Service all returns and reports required thereby to qualify as a real estate investment trust each year. The Investor REIT will request from its shareholders all shareholder information required by the Code and applicable regulations of the Department of Treasury promulgated thereunder.

ARTICLE VI

DEFAULTS

SECTION 6.01 Events of Default.

Each of the following events or conditions is an "Event of Default":

(a) (i) the Borrower shall fail to pay any principal of any Loan or any reimbursement in respect of any LC Disbursement when and as the same shall become due and payable, whether at the due date thereof or at a date fixed for prepayment thereof or otherwise;

(ii) the Borrower shall fail to pay any interest on any Loan or any fee or any other amount (other than an amount referred to in the foregoing clause (i)) payable under this Agreement, when and as the same shall become due and payable, and such failure shall continue unremedied for a period of three (3) Business Days;

(iii) any Credit Party shall fail to deliver any Capital

Contribution or any other Collateral required to be delivered by it hereunder or under any other Loan Document, and such failure shall continue for three (3) Business Days; or

(iv) any Credit Party shall fail to pay any other amount not referred to elsewhere in this Section 6.01(a) that is payable hereunder or under any other Loan Document when and as the same shall become due and payable, and such failure shall continue unremedied for a period of five (5) Business Days after the Agent shall have delivered a notice to the Borrower thereof;

(b) any Credit Party (or such other party as may be bound to take any action) shall fail to observe or perform any covenant, condition or agreement contained in Sections 2.19(c), 2.19(d), 2.19(e), or 5.07 through 5.21 inclusive;

(c) any Credit Party shall fail to observe or perform any covenant, condition or agreement contained in this Agreement or any other Loan Document (other than those covered by Section 6.01(a) or (b) above and, except to the extent a shorter time period is provided for in the applicable Loan Document), and such failure, if capable of being remedied, shall continue unremedied for a period of thirty (30) days after written notice thereof from the Agent to such Credit Party (which notice will be given at the request of the Issuing Bank or any Lender); provided that if such Default is not susceptible of being cured with diligence within said thirty (30) day period, then such period shall be extended for such additional period of time, not to exceed an additional sixty (60) days, as may be reasonably necessary to cure the same provided that such Credit Party commences such cure within such thirty (30) day period and diligently prosecutes the same until its completion;

(d) any representation, warranty, certification or statement made or deemed made by or on behalf of any Credit Party in or in connection with this Agreement or any other Loan Document or any amendment or modification hereof or thereof or any waiver hereunder or thereunder, or in any report, certificate, financial statement or other document furnished pursuant to or in connection with this Agreement or any other Loan Document or any amendment or modification hereof or thereof or any waiver hereunder or thereunder, shall prove to have been incorrect in any material respect when made or deemed made;

(e) any Deal Party other than the Special GP shall (i) voluntarily commence any case or proceeding or file any petition seeking liquidation, reorganization or other relief under any Federal, state or foreign bankruptcy, insolvency, receivership or similar law now or hereafter in effect, (ii) consent to the institution of, or fail to contest in a timely and appropriate manner, any proceeding or petition described in Section 6.01(f), (iii) apply for or consent to the appointment of a receiver, trustee, custodian, sequestrator, conservator or similar official for any Deal Party other than the Special GP or for a substantial part of its assets, (iv) file an answer admitting the material allegations of a petition filed against it in any such proceeding, (v) make a general assignment for the benefit of creditors, or (vi) take any action for the purpose of effecting any of the foregoing;

(f) an involuntary case or other proceeding shall be commenced or an involuntary petition shall be filed seeking (i) liquidation, reorganization or other relief in respect of any Deal

Party other than the Special GP or its debts, or a substantial part of its assets, under any Federal, state or foreign bankruptcy, insolvency, receivership or similar law now or hereafter in effect or (ii) the appointment of a trustee, receiver, liquidator, custodian, sequestrator, conservator or similar official of it or any substantial part of its property, and, in any such circumstance, such case or other proceeding or petition shall continue undismissed for sixty (60) days or an order or decree approving or ordering any of the foregoing shall be entered;

(g) the Investor REIT shall default in its obligations under any Subscription Agreement;

(h) one or more Investors that individually or in the aggregate have Capital Commitments aggregating 15% (fifteen percent) or more of the total Capital Commitments shall repudiate, or default in, or be relieved of, their obligation to fund any portion of their Capital Commitments;

(i) one or more judgments or decrees in an aggregate amount in excess of $10,000,000.00 shall be rendered against one or more Credit Parties and the same shall remain undischarged (unless coverage has been acknowledged in writing by a reputable insurer) for a period of sixty (60) consecutive days during which execution shall not be effectively stayed or any action shall be legally taken by a judgment creditor to attach or levy upon any assets of any Credit Party to enforce any such judgment or decree;

(j) (i) a judgment or decree with respect to any Environmental

Claim shall have been entered against any Credit Party or any Environmental Affiliate or any Real Estate Asset by a court of competent jurisdiction, (ii) any release, emission, discharge or disposal of any Hazardous Materials shall have occurred, and such event is reasonably likely to form the basis of an Environmental Claim by a Governmental Authority with jurisdiction against any Credit Party or any Environmental Affiliate or any Real Estate Asset thereof, or (iii) any Credit Party or any Environmental Affiliate shall have failed to obtain any Environmental Approval necessary for the ownership or operation of its business, property or assets or any such Environmental Approval shall be revoked, terminated, or otherwise cease to be in full force and effect, in each case, if the existence of such condition has had or is reasonably likely to have a Material Adverse Effect;

(k) any assets of any Credit Party shall become subject to Title 1 of ERISA pursuant to the Plan Asset Regulation (or any comparable statute or regulation applicable to the Investor);

(l) [Reserved];

(m) any Loan Document shall for any reason not be in full force and effect, or shall not give the Agent the Liens, and the material rights, powers and privileges purported to be created thereby; or the legality, validity or enforceability of any Loan Document shall be contested by the Portfolio Manager, any Deal Party or any Investor;

(n) the occurrence of any change in the financial condition of any Deal Party other than the Special GP that the Agent reasonably determines is likely to result in a Material Adverse Effect;

(o) the occurrence of any of the following events: (i) the Managing GP ceases, voluntarily or involuntarily, to be a general partner of the Borrower; (ii) the dissolution, liquidation or insolvency of the Portfolio Manager; (iii) any material breach of any Constituent Document of any Credit Party or the Portfolio Management Agreement or any actions inconsistent with the Placement Memorandum by any Credit Party or the Portfolio Manager (and, if the breach by its nature can be cured, failure to cure promptly and in any event within thirty (30) days); or (iv) the Managing GP shall cease to own or Control the Special GP if the Special GP continues to be a general partner of the Borrower;

(p) any default shall occur and be continuing (beyond any applicable grace period) under any other Permitted Recourse Debt having a principal amount in excess of $10,000,000.00;

(q) any Credit Party shall become unable, admit in writing its inability or fail generally to pay its debts as they become due; or

(r) any indebtedness for borrowed money of the Managing GP under its present bank credit facility or any replacement thereof or any indebtedness of the Managing GP under any debt securities registered pursuant to the Securities Act of 1933, as amended from time to time, and any successor statute or statutes, shall have been accelerated or shall be past-due.

SECTION 6.02 Rights and Remedies.

Upon the occurrence of any Event of Default described in Sections 6.01(e) or (f), the Commitments shall automatically terminate and the unpaid principal amount of, and any and all accrued interest on, the Loans and any and all accrued fees and other Obligations hereunder shall automatically become immediately due and payable, with all additional interest from time to time accrued thereon and without presentment, demand, or protest or other requirements of any kind (including valuation and appraisement, diligence, presentment, notice of intent to demand or accelerate and notice of acceleration), all of which are hereby expressly waived by the Borrower; and upon the occurrence and during the continuance of any other Event of Default, the Agent may, and at the request of the Required Lenders shall, take any or all of the following actions: (i) exercise any of its rights and remedies pursuant to this Agreement and the other Loan Documents, (ii) by notice to the Borrower declare the Commitments terminated and the obligation of each Lender to make Loans and of the Issuing Bank to issue Letters of Credit to be terminated, whereupon the same shall forthwith terminate, or (iii) by notice to the Borrower declare the unpaid principal amount of, and any and all accrued and unpaid interest on, the Loans and any and all accrued fees and other Obligations hereunder to be, and the same shall thereupon be, immediately due and payable with all additional interest from time to time accrued thereon and without presentment, demand, or protest or other requirements of any kind other than as expressly provided in the Loan Documents (including valuation and appraisement, diligence, presentment, notice of intent to demand or accelerate and notice of acceleration), all of which are hereby expressly waived by the Borrower to the extent permitted by law.

SECTION 6.03 Notice of Default.

The Agent shall promptly deliver to the Issuing Bank and each Lender a copy of any notice of Default sent to any Credit Party.

SECTION 6.04 Actions in Respect of Letters of Credit.

Without limiting the provisions of Section 2.04(j):

(a) If, at any time and from time to time, any Letter of Credit shall have been issued hereunder and an Event of Default shall have occurred and be continuing, then, upon the occurrence and during the continuation thereof, or in circumstances described in Section 2.10(d), the Agent may, whether in addition to the taking by the Agent of any of the actions described in this Article or otherwise, make a demand upon the Borrower to, and forthwith upon such demand (but in any event within eighteen (18) days after such demand) the Borrower shall, pay to the Agent, on behalf of the Secured Parties, in same day funds at the Agent's office designated in such demand, for deposit in a special cash collateral account (the "Letter of Credit Collateral Account") to be maintained in the name of the Agent (on behalf of the Secured Parties) and under its sole dominion and control at such place as shall be designated by the Agent, an amount equal to the amount of the LC Exposure (or in circumstances described in Section 2.10(d), the amount specified therein). Interest shall accrue on the Letter of Credit Collateral Account at a rate equal to the rate on overnight funds as determined by the Agent.

(b) The Borrower hereby pledges, assigns and grants to the Agent, for the benefit of the Secured Parties, a Lien on and security interest in, the following collateral (collectively, the "Letter of Credit Collateral"):

(i) the Letter of Credit Collateral Account, all cash and other property deposited therein or credited thereto from time to time and all certificates and instruments, if any, from time to time representing or evidencing the Letter of Credit Collateral Account or any property deposited therein or credited thereto;

(ii) all notes, certificates of deposit and other instruments from time to time hereafter delivered to or otherwise possessed by the Agent for or on behalf of the Borrower in substitution for or in respect of any or all of the then existing Letter of Credit Collateral;

(iii) all interest, dividends, cash, instruments and other property from time to time received, receivable or otherwise distributed in respect of or in exchange for any or all of the then existing Letter of Credit Collateral; and

(iv) to the extent not covered by the above clauses, all proceeds and profits of any or all of the foregoing Letter of Credit Collateral.

The Lien and security interest granted hereby secures the payment of all Obligations.

(c) The Borrower hereby authorizes the Agent, for the benefit of the Secured Parties, to apply, from time to time after funds are deposited in the Letter of Credit Collateral Account, funds then held in the Letter of Credit Collateral Account to the payment of any amounts, in such order as the Agent may elect, as shall have become or shall become due and payable by the Borrower to the Secured Parties in respect of the Letters of Credit.

(d) Neither the Borrower nor any Person claiming or acting on behalf of or through the Borrower shall have any right to withdraw any of the funds held in the Letter of Credit Collateral Account, except as provided in Section 6.04(h).

(e) The Borrower agrees that it will not (i) sell or otherwise dispose of any interest in the Letter of Credit Collateral or (ii) create or permit to exist any Lien upon or with respect to any of the Letter of Credit Collateral, except for the security interest created by this Section 6.04.

(f) If any Event of Default shall have occurred and be continuing:

(i) The Agent may, in its sole and absolute discretion, without notice to the Borrower except as may be required by law, at any time and from time to time, charge, set off or otherwise apply all or any part of the Letter of Credit Collateral Account to, first, any fees, expenses, or other amounts relating to Letters of Credit, any unreimbursed LC Disbursements and any interest thereon, and, second, any other unpaid Obligations then due and payable, in such order as the Agent shall elect. The

rights of the Agent under this Section 6.04 are in addition to any rights and remedies which any Secured Party may have.

(ii) The Agent may also exercise, in its sole and absolute discretion, in respect of the Letter of Credit Collateral Account, in addition to the other rights and remedies provided herein or otherwise available to it, all the rights and remedies of a secured party upon default under the Uniform Commercial Code as in effect in the State of New York at that time.

(g) The Agent shall be deemed to have exercised reasonable care in the custody and preservation of the Letter of Credit Collateral if the Letter of Credit Collateral is accorded treatment substantially equal to that which the Agent accords its own property, it being understood that, assuming such treatment, the Agent shall not have any responsibility or liability with respect thereto.

(h) At such time as all Events of Default have been cured or waived in writing, all Obligations have been paid, and all Letters of Credit have been terminated, all amounts remaining in the Letter of Credit Collateral Account shall be paid to the Borrower or to whomsoever may be lawfully entitled to receive such surplus.

ARTICLE VII

THE AGENT

SECTION 7.01 Appointment and Authorization.

Each Lender and the Issuing Bank irrevocably appoints The Chase Manhattan Bank as its Agent and authorizes the Agent to take such action as agent on its behalf and to exercise such powers under this Agreement and the other Loan Documents as are delegated to the Agent by the terms hereof or thereof, together with all such powers as are reasonably incidental thereto. Each Lender agrees that it shall not have any right individually to realize upon the Collateral granted pursuant to any Loan Document, it being understood and agreed that such

rights and remedies may be exercised by the Agent for the benefit of the Secured Parties upon the terms thereof.

SECTION 7.02 Agent and Affiliates.

(a) Each bank serving as an Agent hereunder shall have the same rights and powers in its capacity as a Lender as any other Lender and may exercise or refrain from exercising the same as though it were not an Agent, and such bank and its affiliates may accept deposits from, lend money to, and generally engage in any kind of business with any Credit Party, any Subsidiary or other Affiliate thereof, or any of the Investors as if it were not an Agent hereunder.

(b) The Agent may perform any and all its duties and exercise its rights and powers by or through any one or more sub-agents appointed by the Agent. The Agent and any such sub-agent may perform any and all of its duties and exercise its rights and powers through their respective Related Parties. The exculpatory provisions of this Article VII and the indemnity provisions of this Agreement and the other Loan Documents shall apply to any such sub-agent and to the Related Parties of the Agent and any such sub-agent, and shall apply to their respective activities in connection with the syndication of the credit facilities provided for herein as well as activities as Agent.

SECTION 7.03 Actions of the Agent.

The Agent shall promptly forward to the Issuing Bank and each Lender copies, or notify the Issuing Bank and each Lender as to the contents, of all notices, financial statements and other significant materials and communications received from any Credit Party pursuant to the terms of this Agreement or any other Loan Document. In the event that the Borrower fails to pay when due the principal of or interest on any Loan, the Agent shall promptly give notice thereof to the Lenders if such payment was a regularly scheduled payment or if the individuals administering this Agreement at the offices of the Agent have actual knowledge of the Borrower's failure to make such payment when due. As to any matters not expressly provided for by the Loan Documents, the Agent shall not be required to exercise any discretion or take any action, but shall be required to act or to refrain from acting (and shall be fully protected in so acting or refraining from acting) upon the instructions of the Required Lenders, and such instructions shall be binding upon all the Lenders; provided that the Agent shall not be required to take any action that exposes the Agent to personal liability or that is contrary to this Agreement or applicable law. If any Credit Party shall have made any payment of principal of and interest on the Loans or any other amount due hereunder in accordance with Article II hereof and the Agent shall not have distributed to each Lender its proper share of such

payment on the date on which such payment shall be received (other than as a result of any shutdown of or disturbance in any payment system or any other event or circumstance beyond the reasonable control of the Agent), then the Agent shall pay such proper share to such Lender together with interest thereon at the Federal Funds Effective Rate for each day from the date such payment shall have been received from such Credit Party until the date such amount is paid by the Agent to such Lender. If any Lender transfers funds to the Agent in anticipation of the making of a Loan that is subsequently not made, then the Agent agrees to repay such funds to such Lender upon the receipt of a notice from such Lender requesting the repayment of such funds, together

with interest thereon at the Federal Funds Effective Rate for each day from the date which is one Business Day after the day upon which Agent shall have received a notice from such Lender requesting the repayment of such funds until the date such amount is paid by the Agent to such Lender. Notwithstanding anything to the contrary herein or in any other Loan Document, the Agent is hereby irrevocably authorized by each Lender to release any Lien in any Collateral (i) if such release is consented to in accordance with Section 9.02(b), or (ii) under the circumstances described in the following sentence. At such time as the Loans and all other Obligations and Investor REIT Obligations shall have been paid in full and all of the Letters of Credit and the Commitments shall have terminated, the Collateral shall be released from the Liens created by the Loan Documents, and all obligations (other than those expressly stated to survive termination) of the Agent and each Credit Party under the Loan Documents shall terminate, all without delivery of any instrument or performance of any act by any Person.

SECTION 7.04 Obligations of the Agent.

The Agent shall not have any duties or obligations except those expressly set forth hereunder or under the other Loan Documents. Without limiting the generality of the foregoing, (a) the Agent shall not be subject to any fiduciary or other implied duties, regardless of whether a Default has occurred and is continuing, (b) the Agent shall not have any duty to take any discretionary action or exercise any discretionary powers, except discretionary rights and powers expressly contemplated hereby that the Agent is required to exercise in writing by the Required Lenders (or such other number or percentage of the Lenders as shall be necessary under the circumstances as provided in Section 9.02), (c) the Agent shall not be responsible for insuring any Collateral, for the payment of taxes, charges, assessments or Liens upon any Collateral or otherwise as to the maintenance of any Collateral or any income thereon or as to the preservation of rights against prior parties or any other rights pertaining thereto (except the duty to accord such of the Collateral as may be in its actual possession and control substantially the same care as it accords its own assets and the duty to account for monies received by it), and (d) except as expressly set forth herein, the Agent shall not have any duty to disclose, and shall not be liable for the failure to disclose, any information relating to any Deal Party, any Investor, or any of their respective subsidiaries that is communicated to or obtained by the bank serving as Agent or any of its Affiliates in any capacity. The Agent shall not have by reason of the execution and delivery of the Loan Documents, the performance of any of its obligations thereunder, or by the use of the term "Agent", a fiduciary relationship in respect of any Lender, the Issuing Bank or any Credit Party.

SECTION 7.05 Consultation with Experts.

The Agent may consult with legal counsel (who may be counsel for any Credit Party), independent public accountants and other experts selected by it, and shall not be liable for any action taken or omitted to be taken by it in accordance with the advice of any such counsel, accountants or experts.

SECTION 7.06 Liability of the Agent.

Neither the Agent nor any of its Related Parties shall be liable for any action taken or not taken by it (i) with the consent or at the request of the Required Lenders (or such other number or percentage of the Lenders as shall be necessary under the circumstances as provided in

Section 9.02), or (ii) in the absence of its own gross negligence or willful misconduct. The Agent shall be deemed not to have knowledge of any Default unless and until written notice thereof is given to the Agent by any Credit Party, the Issuing Bank or a Lender. Neither the Agent nor any of its Related Parties shall be responsible for or have any duty to ascertain, inquire into or verify (i) any statement, warranty or representation made in or in connection with any Loan Document or any borrowing hereunder, (ii) the contents of any certificate, report or other document delivered under any Loan Document or in connection with any Loan Document, (iii) the performance or observance of any of the covenants, agreements or other terms or conditions set forth in any Loan Document, (iv) the satisfaction of any condition specified in Article IV or

elsewhere in the Loan Documents, except receipt of items required to be delivered to the Agent, or (v) the validity, enforceability, effectiveness or genuineness of this Agreement, the other Loan Documents or any other agreement, instrument or document. The Agent shall be entitled to rely upon, and the Agent shall not incur any liability for relying upon, any notice, request, consent, certificate, statement, or other writing believed by it to be genuine or to be signed or sent by the proper party or parties. The Agent also may rely upon any statement made to it orally or by telephone and believed by it to be made by the proper Person, and shall not incur any liability for relying thereon.

SECTION 7.07 Indemnification.

Each Lender shall, ratably in accordance with its Commitment, indemnify the Agent and its Related Parties (to the extent not reimbursed by any Credit Party as may be required under this Agreement) against any reasonable cost or expense (including counsel fees and disbursements), claim, demand, action, loss or liability (except such as result from such indemnitee's gross negligence or willful misconduct) that such indemnitees may suffer or incur in connection with this Agreement, the other Loan Documents or any action taken or omitted by such indemnitees hereunder.

SECTION 7.08 Credit Decision.

Each Lender acknowledges that it has, independently and without reliance upon any Agent, the Issuing Bank, any other Lender or their respective Related Parties, and based on such documents and information as it has deemed appropriate, made its own credit and legal analysis and decision to enter into this Agreement. Each Lender also acknowledges that it will, independently and without reliance upon any Agent, the Issuing Bank, any other Lender or their respective Related Parties, and based on such documents and information as it shall from time to time deem appropriate, continue to make its own decisions in taking or not taking any action under or based upon this Agreement, any related agreement, or any document furnished hereunder or thereunder.

SECTION 7.09 Successor Agent.

The Agent may resign at any time by giving notice thereof to the Lenders and the Credit Parties. Upon any resignation by the Agent, the Required Lenders shall have the right to appoint a successor Agent. If no successor Agent shall have been so appointed by the Required Lenders, and shall have accepted such appointment, within thirty (30) days after the retiring Agent gives notice of resignation, then the retiring Agent may, on behalf of the Lenders, appoint a successor Agent which shall be a bank with an office in New York, New York, or an Affiliate

of any such bank. Except during the occurrence and continuance of an Event of Default hereunder, the appointment of any successor Agent shall be subject to the prior written consent of the Borrower, which consent shall not be unreasonably withheld or delayed. Upon the acceptance of its appointment as the Agent hereunder by a successor Agent, such successor Agent shall thereupon succeed to and become vested with all the rights and duties of the retiring Agent, and the retiring Agent shall be discharged from its duties and obligations hereunder and under the other Loan Documents. The fees payable by the Borrower to a successor Agent shall be the same as those payable to its predecessor unless otherwise agreed between the Borrower and such successor. After the Agent's resignation hereunder, the provisions of this Article and Section 9.03 shall continue in effect for the benefit of such retiring Agent, its sub-agents and their respective Related Parties in respect of any actions taken or omitted to be taken by any of them while it was acting as Agent.

ARTICLE VIII

GUARANTY

SECTION 8.01 Guaranty of Obligations.

The Investor REIT hereby unconditionally and irrevocably guarantees to the Agent, for the benefit of the Secured Parties, the prompt and complete payment and performance by the Borrower when due (whether at stated maturity, upon mandatory prepayment, by acceleration, or otherwise) of the Obligations, and the Investor REIT further agrees to pay any and all expenses (including all reasonable fees, charges and disbursements of counsel) that may be paid or incurred by the Agent in enforcing any of such Obligations or any of the terms hereof, this Guarantee being a guarantee of payment and not of collectibility and being absolute and in no way conditional or contingent. In the event any part of the Obligations shall not have been so paid in full when due and payable, the Investor REIT will, immediately upon notice by the Agent or, without notice, immediately upon the occurrence of an Event of Default under Section 6.01(e) or (f), pay or cause to be paid to the Agent the amount of such Obligations which are then due and payable and unpaid; provided that to the extent that funds are not available in the Subscription Account or any other

account maintained by the Investor REIT to make such payment, then the Investor REIT shall have a grace period of eighteen (18) days to make such payment so long as within such grace period the Investor REIT shall be diligently pursuing a call for capital contributions by its Investors in an amount sufficient to enable the Investor REIT to satisfy its obligations under this Agreement. The Investor REIT Obligations shall not be affected by the invalidity or unenforceability of any Loan Document, or the unrecoverability of any of the Obligations as against the Borrower or any other Person. For purposes hereof, the Obligations shall be due and payable when and as the same shall be due and payable under the terms of this Agreement or any other Loan Document notwithstanding the fact that the collection or enforcement thereof may be stayed or enjoined under the Bankruptcy Code or other applicable law.

SECTION 8.02 Continuing Obligation.

The Investor REIT acknowledges that the Secured Parties have entered into this Agreement in reliance on this Article VIII being a continuing irrevocable agreement, and the Investor REIT agrees that this Guarantee may not be revoked in whole or in part. The obligations of the Investor REIT under this Article VIII shall terminate when all of the Obligations have been indefeasibly paid in full in cash and discharged; provided that:

(a) if a claim is made upon any Secured Party at any time for repayment or recovery of any amounts or any property received by it from any source on account of any of the Obligations and the Secured Party is obligated to and does repay or return any amounts or property so received (including interest thereon to the extent required to be paid by the Secured Party) or

(b) if any Secured Party becomes liable for any part of such claim by reason of (i) any judgment or order of any Governmental Authority having competent jurisdiction, or (ii) any settlement or compromise of any such claim,

then the Investor REIT shall remain liable under this Agreement for the amounts so repaid or property so returned or the amount for which the Secured Party becomes liable (such amounts being deemed part of the Obligations) to the same extent as if such amounts or property had never been received by such Secured Party, notwithstanding any termination hereof or the cancellation of any instrument or agreement evidencing any of the Obligations. Not later than fifteen (15) days after receipt of notice from the Agent (together with evidence of payment), the Investor REIT shall pay to the Secured Party an amount equal to the amount of such repayment or return for which such Secured Party has so become liable. Payments hereunder by the Investor REIT may be required by any Secured Party on any number of occasions.

SECTION 8.03 Waivers with Respect to the Obligations.

Except to the extent expressly required by this Agreement or any other Loan Document, the Investor REIT waives, to the fullest extent permitted by the provisions of applicable law, all of the following (including all defenses, counterclaims and other rights of any nature based upon any of the following):

(a) presentment, demand for payment and protest of nonpayment of any of the Obligations, and notice of protest, dishonor or nonperformance;

(b) notice of acceptance of this Guarantee and notice that credit has been extended in reliance on the Investor REIT's guarantee of the Obligations;

(c) notice of any Default or of any inability to enforce performance of the obligations of the Borrower or any other Person with respect to any Loan Document or notice of any acceleration of maturity or mandatory prepayment of any Obligations;

(d) demand for performance or observance of, and any enforcement of, any provision of this Agreement, the Obligations or any other Loan Document or any pursuit or exhaustion of rights or remedies against the Borrower or any other Person in respect of the

Obligations or any requirement of diligence or promptness on the part of any Secured Party in connection with any of the foregoing;

(e) any act or omission on the part of any Secured Party which may impair or prejudice the rights of the Investor REIT, including rights to obtain subrogation, exoneration, contribution, indemnification or any other reimbursement from the Borrower or any other Person, or otherwise operate as a deemed release or discharge;

(f) any statute of limitations or any statute or rule of law which provides that the obligation of a surety must be neither larger in amount nor in other respects more burdensome than the obligation of the principal;

(g) any "single action" or "anti-deficiency" law which would otherwise prevent the Agent from bringing any action, including any claim for a deficiency, against the Investor REIT before or after the commencement or completion of any foreclosure action, whether judicially, by exercise of power of sale or otherwise, or any other law which would otherwise require any election of remedies by any Secured Party;

(h) any merger, consolidation or amalgamation of the Borrower into or with any other Person, or any Transfer (including any lease) of any of the assets of the Borrower to any other Person, or any other change of form, structure, or status under any law in respect of the Borrower, or any change in the ownership of the Borrower;

(i) any increase in the principal amount of, or extension of the time for payment of the principal of or interest on, any Obligation;

(j) all demands and notices of every kind with respect to the foregoing;

(k) any and all other circumstances that (with or without notice to or knowledge of the Borrower or the Investor REIT) constitute, or might be construed to constitute, an equitable or legal discharge of the Borrower for the Obligations or of the Investor REIT under this Article VIII; and

(l) to the extent not referred to above, all defenses (other than payment) which the Borrower may now or hereafter have to the payment of the Obligations, together with all suretyship defenses, which could otherwise be asserted by the Investor REIT.

The Investor REIT represents that it has obtained the advice of counsel as to the extent to which suretyship and other defenses may be available to it with respect to its obligations hereunder in the absence of the waivers contained in this Section 8.03. No delay or omission on the part of any Secured Party in exercising any right under any other Loan Document or under any other guarantee of the Obligations shall operate as a waiver or relinquishment of such right. No action which any Secured Party or the Borrower may take or refrain from taking with respect to the Obligations shall affect the provisions of this Agreement or the obligations of the Investor REIT hereunder. The rights of the Secured Parties shall not at any time in any way be prejudiced or impaired by any act or failure to act on the part of the Borrower, or by any noncompliance by the

Borrower with any Loan Document, regardless of any knowledge thereof which any Secured Party may have or otherwise be charged with.

SECTION 8.04 Power to Waive, etc.

The Investor REIT grants to each of the Agent, the Issuing Bank and the Lenders full power in its discretion, without notice to or consent of the Investor REIT, such notice and consent being expressly waived to the fullest extent permitted by applicable law, and without in any way affecting the liability of the Investor REIT under its Guarantee hereunder:

(a) to waive compliance with, and any Default under, and to consent to any amendment to or modification or termination of any provision of, or to give any waiver in respect of, this Agreement, any other Loan Document, the Obligations or any guarantee thereof (each as from time to time in effect);

(b) to grant any extensions of the Obligations (for any duration), and any other indulgence with respect thereto, and to effect any total or partial release (by operation of law or otherwise), discharge, compromise or settlement with respect to the obligations of the Borrower or any other Person in respect of the Obligations, whether or not rights against the Investor REIT under this Agreement are reserved in connection therewith;

(c) to obtain, modify or release any present or future guarantees of, or collateral securing any of, the Obligations and to proceed or refrain from proceeding against any such guarantees or collateral in any order;

(d) to collect or liquidate or realize upon any of the Obligations or the Collateral in any manner or order or to refrain from collecting or liquidating or realizing upon any of the Obligations or the Collateral; and

(e) to extend credit under this Agreement, any other Loan Document or otherwise in such amount as the Secured Parties may determine, including increasing the amount of credit and the interest rate and fees with respect thereto, even though the condition of the Borrower (financial or otherwise, on an individual or consolidated basis) may have deteriorated since

the date hereof.

SECTION 8.05 Information regarding the Borrower; etc.

The Investor REIT has made such investigation as it deems desirable of the risks undertaken by it in entering into this Agreement and the other Loan Documents and is fully satisfied that it understands all such risks. The Investor REIT waives any obligation which may now or hereafter exist on the part of any Secured Party to inform it of the risks being undertaken by entering into this Agreement and the other Loan Documents or of any changes in such risks and, from and after the date hereof, the Investor REIT undertakes to keep itself informed of such risks and any changes therein. The Investor REIT expressly waives any duty which may now or hereafter exist on the part of any Secured Party to disclose to the Investor REIT any matter related to the business, operations, character, collateral, credit, condition (financial or otherwise), income or prospects of the Borrower and its Affiliates or their properties or management, whether now or hereafter known by any Secured Party. The Investor REIT represents, warrants

and agrees that it assumes sole responsibility for obtaining from the Borrower all information concerning this Agreement and the other Loan Documents and all other information as to the Borrower and its Affiliates or their properties or management as the Investor REIT deems necessary or desirable.

SECTION 8.06 Subrogation.

The Investor REIT agrees that, until the Obligations are paid in full in cash, it will not exercise, and hereby waives, any right of reimbursement, subrogation, contribution, offset or other claims against the Borrower arising by contract or operation of law in connection with any payment made or required to be made by the Investor REIT under this Agreement or the other Loan Documents. After the indefeasible payment in full in cash of the Obligations (other than Obligations in respect of contingent contractual indemnities), the Investor REIT shall be entitled to exercise against the Borrower all such rights of reimbursement, subrogation, contribution and offset, and all such other claims, to the fullest extent permitted by law.

ARTICLE IX

MISCELLANEOUS

SECTION 9.01 Notices.

Except in the case of notices and other communications expressly permitted to be given by telephone, all notices and other communications provided for herein to any party hereunder shall be in writing and shall be delivered by hand or overnight courier service, mailed by certified or registered mail, or sent by telecopy, as follows: (x) in the case of any Credit Party, the Issuing Bank or the Agent, or in the case of any Lender executing this Agreement on the Effective Date, at its address or telecopy number set forth on the signature pages hereof, (y) in the case of any other Lender, at its address or telecopy number set forth in its Administrative Questionnaire, or (z) in the case of any party, such other address or telecopy number as such party may hereafter specify for the purpose by notice to the other parties hereto. Each such notice or other communication shall be effective (i) if given by telecopy, when such telecopy is transmitted to the telecopy number specified in this Section and the appropriate confirmation is received (or if such day is not a Business Day, on the next Business Day), (ii) if given by mail (return receipt requested), on the earlier of receipt or three Business Days after such communication is deposited in the mails with first class postage prepaid, addressed as aforesaid, or (iii) if given by any other means, when delivered at the address specified in this Section; provided that notices to the Agent under Article II shall not be effective until received.

SECTION 9.02 Waivers; Amendments.

(a) No failure or delay by the Agent, the Issuing Bank or any Lender in exercising any right or power hereunder or under any other Loan Document shall operate as a waiver thereof, nor shall any single or partial exercise of any such right or power, or any abandonment or discontinuance of steps to enforce such a right or power, preclude any other or further exercise thereof or the exercise of any other right or power. The rights and remedies of the Secured Parties hereunder and under the other Loan Documents are cumulative and are not exclusive of

any rights or remedies that they would otherwise have. No waiver of any provision of this Agreement or consent to any departure by any Credit Party therefrom shall in any event be effective unless the same shall be permitted by

paragraph (b) of this Section, and then such waiver or consent shall be effective only in the specific instance and for the purpose for which given. Without limiting the generality of the foregoing, the making of a Loan or issuance, amendment, renewal or extension of a Letter of Credit shall not be construed as a waiver of any Default, regardless of whether any Secured Party may have had notice or knowledge of such Default at the time.

(b) Neither this Agreement nor any provision hereof may be waived, amended or modified except pursuant to an agreement or agreements in writing entered into by the Credit Parties, the Agent and the Required Lenders or by the Credit Parties and the Agent with the consent of the Required Lenders; provided that no such agreement shall (i) increase the Commitment of any Lender without the written consent of such Lender, (ii) reduce the principal amount of any Loan or LC Disbursement or reduce the rate of interest thereon, or reduce any fees payable hereunder, without the written consent of each Lender affected thereby, (iii) postpone the scheduled date of payment or any mandatory prepayment of the principal amount of any Loan or LC Disbursement, or any interest thereon, or any fees payable hereunder, or reduce the amount of, waive or excuse any such payment, or postpone the scheduled date of expiration of any Commitment, without the written consent of each Lender affected thereby, (iv) release all or substantially all of the Collateral, except as contemplated by Section 7.03, (v) consent to the release or material impairment of the Capital Commitments of the Investors, (vi) change Section 2.17(b) or (c) in a manner that would alter the pro rata sharing of payments required thereby, without the written consent of each Lender, (vii) change any of the provisions of this Section or the definition of "Required Lenders" or "Super-Required Lenders" or any other provision hereof specifying the number or percentage of Lenders required to waive, amend or modify any rights hereunder or make any determination or grant any consent hereunder, or (viii) permit any Credit Party to assign or delegate any of its obligations under the Loan Documents, without the written consent of each Lender; provided, further, that in the event that any Lender is any Credit Party or an Affiliate of any Credit Party, then such Lender shall be disregarded for purposes of determining the Required Lenders or Super-Required Lenders required for any waiver, amendment, modification or consent; provided, further, that no such agreement shall amend, modify or otherwise affect the rights or duties of the Agent or the Issuing Bank hereunder without the prior written consent of the Agent or the Issuing Bank, as the case may be.

SECTION 9.03 Expenses; Indemnity; Damage Waiver.

(a) Each Credit Party jointly and severally agrees to pay (i) all reasonable expenses incurred by the Agent and its Affiliates (including the reasonable fees, charges and disbursements of counsel for the Agent), in connection with the syndication of the credit facilities provided for herein, the preparation, execution and delivery of this Agreement and the other Loan Documents, the administration thereof, and any amendments, modifications or waivers of the provisions of any of the Loan Documents (whether or not the transactions contemplated hereby or thereby shall be consummated) and (ii) all expenses incurred by any of the Secured Parties (including reasonable fees, charges and disbursements of any counsel for any Secured Party) in connection with the enforcement or protection of its rights and remedies under or in connection with the Loan Documents, including its rights under this Section, or in connection with the Loans

made hereunder, including all such expenses incurred during any workout, restructuring or negotiations in respect of such Loans.

(b) Each Credit Party jointly and severally agrees to indemnify each Secured Party and each Related Party of any of the foregoing Persons (each such Person being called an "Indemnitee") against, and hold each Indemnitee harmless from, any and all losses, claims, damages, liabilities and related expenses, including the fees, charges and disbursements of any counsel (including internal counsel) for any Indemnitee, incurred by or asserted against any Indemnitee arising out of, in connection with, or as a result of any one or more of the following: (i) the execution or delivery of this Agreement or any agreement or instrument contemplated hereby, the performance by the parties hereto or thereto of their respective obligations hereunder or thereunder or the consummation of the Transactions or any other transactions contemplated hereby, (ii) any Loan or Letter of Credit or the use of the proceeds therefrom (including any refusal by the Issuing Bank to honor a demand for payment under a Letter of Credit if the documents presented in connection with such demand do not strictly comply with the terms and conditions of such Letter of Credit), (iii) any actual or alleged presence or release of Hazardous Materials or any structural defects on or from any property owned or operated by any Credit Party or any of their respective subsidiaries, or any Environmental Liability or structural property liability related in any way to the Borrower or any of its Subsidiaries, (iv) provided that the assets of the Borrower or the Investor REIT are not subject to Title 1 of ERISA pursuant to the Plan Asset Regulation (or, if such assets are so subject, provided that the indemnity herein does not violate ERISA or itself constitute a nonexempt prohibited transaction (as such term is defined in Section 4975 of the Code or Section 406 of ERISA)), any of

the Transactions, including the execution and delivery of any Investor Letter, constituting a nonexempt prohibited transaction (as such term is defined in Section 4975 of the Code or Section 406 of ERISA), or (v) any actual or prospective claim, litigation, investigation or proceeding relating to any of the foregoing, whether based on contract, tort or any other theory and regardless of whether any Indemnitee is a party thereto; provided that such indemnity shall not, as to any Indemnitee, be available to the extent that such losses, claims, damages, liabilities or related expenses have resulted from the gross negligence or willful misconduct of such Indemnitee.

(c) To the extent that any Credit Party fails to pay any amount required to be paid by it to the Agent or the Issuing Bank under paragraph (a) or (b) of this Section, each Lender severally agrees to pay to the Agent or the Issuing Bank, as the case may be, such Lender's Applicable Percentage (determined as of the time that the applicable unreimbursed expense or indemnity payment is sought) of such unpaid amount; provided that the unreimbursed expense or indemnified loss, claim, damage, liability or related expense, as the case may be, was incurred by or asserted against the Agent or the Issuing Bank in its capacity as such.

(d) To the extent permitted by applicable law, each Credit Party shall not assert, and hereby waives, any claim against any Indemnitee, on any theory of liability, for special, indirect, consequential, exemplary or punitive damages (as opposed to direct or actual damages) arising out of, in connection with, or as a result of, this Agreement or any agreement or instrument contemplated hereby, the Transactions, any Loan or Letter of Credit or the use of the proceeds thereof.

(e) All amounts due under this Section shall be payable not later than five (5) days after written demand therefor.

SECTION 9.04 Successors and Assigns.

(a) The provisions of this Agreement shall be binding upon and inure to the benefit of the parties hereto and their respective successors and assigns permitted hereby (including any Affiliate of the Issuing Bank that issues any Letter of Credit), except that neither Credit Party may assign or otherwise transfer any of its rights or obligations hereunder without the prior written consent of each Secured Party in its sole and absolute discretion (and any attempted assignment or transfer by any Credit Party without such consent shall be null and void). Nothing in this Agreement, expressed or implied, shall be construed to confer upon any Person (other than the parties hereto, their respective successors and assigns permitted hereby (including any Affiliate of the Issuing Bank that issues any Letter of Credit) and, to the extent expressly contemplated hereby, the Related Parties of each Secured Party) any legal or equitable right, remedy or claim under or by reason of this Agreement.

(b) Any Lender may assign to one or more assignees all or a portion of its rights and obligations under this Agreement (including all or a portion of its Commitment and the Loans at the time owing to it); provided that (i) except in the case of an assignment to a Lender or an Affiliate of a Lender, the Borrower and the Agent (and, in the case of an assignment of all or a portion of a Commitment or any Lender's obligations in respect of its LC Exposure, the Issuing Bank) must give their prior written consent to such assignment (which consent shall not be unreasonably withheld or delayed), (ii) except in the case of an assignment to a Lender or an Affiliate of a Lender or an assignment of the entire remaining amount of the assigning Lender's Commitment, the amount of the Commitment of the assigning Lender subject to each such assignment, and the amount of the Commitment retained by the assigning Lender (determined as of the date the Assignment and Acceptance with respect to such assignment is delivered to the Agent) shall not, in either case, be less than $5,000,000.00 unless the Borrower and the Agent otherwise consent, (iii) each partial assignment shall be made as an assignment of a proportionate part of all the assigning Lender's rights and obligations under this Agreement, (iv) the parties to each assignment shall execute and deliver to the Agent an Assignment and Acceptance, together with a processing and recordation fee of $3,500, (v) no assignment may be made to any Credit Party or an Affiliate of any Credit Party, (vi) the assignee, if it shall not be a Lender, shall deliver to the Agent an Administrative Questionnaire, and (vii) the assignee, if it shall be a Foreign Lender, shall comply with Section 2.16(e); provided, further, that if an Event of Default has occurred and is continuing, any consent of the Borrower otherwise required under this paragraph shall not be required. Subject to acceptance and recording thereof pursuant to paragraph (d) of this Section, from and after the effective date specified in each Assignment and Acceptance the assignee thereunder shall be a party hereto and, to the extent of the interest assigned by such Assignment and Acceptance, have the rights and obligations of a Lender under this Agreement, and the assigning Lender thereunder shall, to the extent of the interest assigned by such Assignment and Acceptance, be released from its obligations under this Agreement (and, in the case of an Assignment and Acceptance covering all of the assigning Lender's rights and obligations under this Agreement, such Lender shall cease to be a party hereto but shall continue to be entitled to the benefits of Sections 2.14,

2.15, 2.16 and 9.03). Any assignment or transfer by a Lender of rights or obligations under this Agreement that does not comply with this

paragraph shall be treated for purposes of this Agreement as a sale by such Lender of a participation in such rights and obligations in accordance with paragraph (e) of this Section.

(c) The Agent, acting for this purpose as an agent of the Borrower, shall maintain at one of its offices in The City of New York a copy of each Assignment and Acceptance delivered to it and a register for the recordation of the names and addresses of the Lenders, and the Commitment of, and principal amount of the Loans and LC Disbursements owing to, each Lender pursuant to the terms hereof from time to time (the "Register"). The entries in the Register shall be conclusive, and the Credit Parties, the Agent, the Issuing Bank and the Lenders may treat each Person whose name is recorded in the Register pursuant to the terms hereof as a Lender hereunder for all purposes of this Agreement, notwithstanding notice to the contrary. The Register shall be available for inspection by the Borrower, the Issuing Bank and any Lender, at any reasonable time and from time to time upon reasonable prior notice.

(d) Upon its receipt of a duly completed Assignment and Acceptance executed by an assigning Lender and an assignee, the assignee's completed Administrative Questionnaire (unless the assignee shall already be a Lender hereunder), the processing and recordation fee referred to in paragraph (b) of this Section and any written consent to such assignment required by paragraph (b) of this Section, the Agent shall accept such Assignment and Acceptance and record the information contained therein in the Register. No assignment shall be effective for purposes of this Agreement unless it has been recorded in the Register as provided in this paragraph.

(e) Any Lender may, without the consent of any Credit Party, the Issuing Bank or the Agent, sell participations to one or more banks or other entities (a "Participant") in all or a portion of such Lender's rights and obligations under this Agreement (including all or a portion of its Commitment and the Loans owing to it); provided that (i) such Lender's obligations under this Agreement shall remain unchanged, (ii) such Lender shall remain solely responsible to the other parties hereto for the performance of such obligations and (iii) the Credit Parties, the Agent, the Issuing Bank and the other Lenders shall continue to deal solely and directly with such Lender in connection with such Lender's rights and obligations under this Agreement. Any agreement or instrument pursuant to which a Lender sells such a participation shall provide that such Lender shall retain the sole right to enforce this Agreement and to approve any amendment, modification or waiver of any provision of this Agreement; provided that such agreement or instrument may provide that such Lender will not, without the consent of the Participant, agree to any amendment, modification or waiver described in the first proviso to Section 9.02(b) that affects such Participant. Subject to paragraph (f) of this Section, each Credit Party agrees that each Participant shall be entitled to the benefits of Sections 2.14, 2.15 and 2.16 to the same extent as if it were a Lender and had acquired its interest by assignment pursuant to paragraph (b) of this Section.

(f) A Participant shall not be entitled to receive any greater payment under Section 2.14, 2.15 or 2.16 than the applicable Lender would have been entitled to receive with respect to the participation sold to such Participant, unless the sale of the participation to such Participant is made with each Credit Party's prior written consent. A Participant that would be a Foreign Lender if it were a Lender shall not be entitled to the benefits of Section 2.16 unless each

Credit Party is notified of the participation sold to such Participant and such Participant agrees, for the benefit of each Credit Party, to comply with Section 2.16(e) as though it were a Lender.

(g) Any Lender may at any time pledge or assign a security interest in all or any portion of its rights under this Agreement to secure obligations of such Lender, including any pledge or assignment to secure obligations to a Federal Reserve Bank, and this Section shall not apply to any such pledge or assignment of a security interest; provided that no such pledge or assignment of a security interest shall release a Lender from any of its obligations hereunder or substitute any such pledgee or assignee for such Lender as a party hereto.

SECTION 9.05 Survival.

All covenants, agreements, representations and warranties made by any Credit Party herein and in the certificates or other instruments delivered in connection with or pursuant to this Agreement or the other Loan Documents shall be considered to have been relied upon by the other parties hereto and shall survive the execution and delivery of this Agreement and the making of any

Loans and issuance of any Letters of Credit, regardless of any investigation made by any such other party or on its behalf and notwithstanding that any Secured Party may have had notice or knowledge of any Default or incorrect representation or warranty at the time any credit is extended hereunder, and shall continue in full force and effect as long as the principal of or any accrued interest on any Loan or any fee or any other amount payable under this Agreement is outstanding and unpaid or any Letter of Credit is outstanding and so long as the Commitments have not expired or terminated. The provisions of Sections 2.14, 2.15, 2.16 and 9.03 and Article VII shall survive and remain in full force and effect regardless of the consummation of the transactions contemplated hereby, the repayment of the Loans, the expiration or termination of the Letters of Credit and the Commitments or the termination of this Agreement or any provision hereof.

SECTION 9.06 Counterparts; Integration; Effectiveness.

This Agreement may be executed in counterparts (and by different parties hereto on different counterparts), each of which shall constitute an original, but all of which when taken together shall constitute a single contract. This Agreement and any separate letter agreements with respect to fees payable to the Agent or the Issuing Bank constitute the entire contract among the parties relating to the subject matter hereof and supersede any and all previous agreements and understandings, oral or written, relating to the subject matter hereof. Except as provided in Section 4.01, this Agreement shall become effective when it shall have been executed by the Agent and when the Agent shall have received counterparts hereof which, when taken together, bear the signatures of each of the other parties hereto, and thereafter shall be binding upon and inure to the benefit of the parties hereto and their respective successors and assigns. Delivery of an executed counterpart of a signature page of this Agreement by telecopy shall be effective as delivery of a manually executed counterpart of this Agreement.

SECTION 9.07 Severability.

Any provision of this Agreement held to be invalid, illegal or unenforceable in any jurisdiction shall, as to such jurisdiction, be ineffective to the extent of such invalidity, illegality or unenforceability without affecting the validity, legality and enforceability of the

remaining provisions hereof; and the invalidity of a particular provision in a particular jurisdiction shall not invalidate such provision in any other jurisdiction.

SECTION 9.08 Right of Setoff.

If an Event of Default shall have occurred and be continuing, each Lender, the Issuing Bank and each of its respective Affiliates is hereby authorized at any time and from time to time, to the fullest extent permitted by law, to set off and apply any and all deposits (general or special, time or demand, provisional or final at any time held and other obligations at any time owing by such Lender, the Issuing Bank or Affiliate to or for the credit or the account of any Credit Party against any of or all the obligations of such Credit Party now or hereafter existing under this Agreement held by such Lender, or by the Issuing Bank, irrespective of whether or not such Lender or the Issuing Bank shall have made any demand under this Agreement and although such obligations may be unmatured. The rights of each Lender and the Issuing Bank under this Section are in addition to other rights and remedies (including other rights of setoff) which such Lender or the Issuing Bank may have.

SECTION 9.09 GOVERNING LAW; JURISDICTION; CONSENT TO SERVICE OF PROCESS.

(a) THIS AGREEMENT AND THE OTHER LOAN DOCUMENTS SHALL BE CONSTRUED IN ACCORDANCE WITH AND GOVERNED BY THE LAWS OF THE STATE OF NEW YORK (WITHOUT GIVING EFFECT TO THE PRINCIPLES THEREOF RELATING TO CONFLICT OF LAWS).

(b) Each Credit Party hereby irrevocably and unconditionally submits, for itself and its property, to the nonexclusive jurisdiction of the Supreme Court of the State of New York sitting in New York County and of the United States District Court for the Southern District of New York, and any appellate court from any thereof, in any action or proceeding arising out of or relating to this Agreement or any other Loan Document, or for recognition or enforcement of any judgment, and each of the parties hereto hereby irrevocably and unconditionally agrees that all claims in respect of any such action or proceeding may be heard and determined in such New York State or, to the extent permitted by law, in such Federal court. Each of the parties hereto agrees that a final judgment in any such action or proceeding shall be conclusive and may be enforced in other jurisdictions by suit on the judgment or in any other manner provided by law. Nothing in this Agreement shall affect any right that the Agent or any Lender may otherwise have to bring any action or proceeding relating to this Agreement against any Credit Party or its properties in the courts of any jurisdiction.

(c) Each Credit Party hereby irrevocably and unconditionally waives, to the fullest extent it may legally and effectively do so, any objection which it may now or hereafter have to the laying of venue of any suit, action or proceeding arising out of or relating to this Agreement or any other Loan Document in any court referred to in paragraph (b) of this Section. Each of the parties hereto hereby irrevocably waives, to the fullest extent permitted by law, the defense of an inconvenient forum to the maintenance of such action or proceeding in any such court.

(d) Each party to this Agreement irrevocably consents to service of process in the manner provided for notices (other than notices by telecopy) in Section 9.01. Nothing in this

Agreement will affect the right of any party to this Agreement to serve process in any other manner permitted by law.

(e) Without limiting the foregoing, each Credit Party hereby irrevocably designates National Registered Agents, Inc., 440 9th Avenue, New York, New York 10001, as the designee, appointee and agent of such Credit Party to receive, for and on behalf of such Credit Party, service of process in such respective jurisdictions in any legal action or proceeding with respect to this Agreement or any other Loan Document. It is understood that a copy of such process served on such agent will be promptly forwarded by mail to such Credit Party at its address set forth opposite its signature below, but the failure of such Credit Party to receive such copy shall not affect in any way the service of such process.

SECTION 9.10 WAIVER OF JURY TRIAL.

EACH PARTY HERETO HEREBY WAIVES, TO THE FULLEST EXTENT PERMITTED BY APPLICABLE LAW, ANY RIGHT IT MAY HAVE TO A TRIAL BY JURY IN ANY LEGAL PROCEEDING DIRECTLY OR INDIRECTLY ARISING OUT OF OR RELATING TO THIS AGREEMENT, THE OTHER LOAN DOCUMENTS OR THE TRANSACTIONS CONTEMPLATED HEREBY OR THEREBY (WHETHER BASED ON CONTRACT, TORT OR ANY OTHER THEORY). EACH PARTY HERETO (A) CERTIFIES THAT NO REPRESENTATIVE, AGENT OR ATTORNEY OF ANY OTHER PARTY HAS REPRESENTED, EXPRESSLY OR OTHERWISE, THAT SUCH OTHER PARTY WOULD NOT, IN THE EVENT OF LITIGATION, SEEK TO ENFORCE THE FOREGOING WAIVER AND (B) ACKNOWLEDGES THAT IT AND THE OTHER PARTIES HERETO HAVE BEEN INDUCED TO ENTER INTO THIS AGREEMENT BY, AMONG OTHER THINGS, THE MUTUAL WAIVERS AND CERTIFICATIONS IN THIS SECTION.

SECTION 9.11 Headings.

Article and Section (and subsection) headings and any Table of Contents used herein are for convenience of reference only, are not part of this Agreement and shall not affect the construction of, or be taken into consideration in interpreting, this Agreement.

SECTION 9.12 Confidentiality.

Each Secured Party agrees to maintain the confidentiality of the Information (as defined below), except that Information may be disclosed (a) to its and its Affiliates' directors, officers, employees and agents, including accountants, legal counsel and other advisors (it being understood that the Persons to whom such disclosure is made will be informed of the confidential nature of such Information and instructed to keep such Information confidential), (b) to the extent requested by any regulatory authority, (c) to the extent required by applicable laws or regulations or by any subpoena or similar legal process, (d) to any other party to this Agreement, (e) in connection with the exercise of any remedies hereunder or under any other Loan Document or any suit, action or proceeding relating to this Agreement or any other Loan Document or the enforcement of rights hereunder or thereunder, (f) subject to an agreement containing provisions substantially the same as those of this Section, to any assignee of or Participant in, or any prospective assignee of or Participant in, any of its rights or obligations under this Agreement, (g) with the consent of any Credit Party, or (h) to the extent such Information (i) becomes

publicly available other than as a result of a breach of this Section or (ii) becomes available to any Secured Party on a nonconfidential basis from a source other than any Credit Party. For the purposes of this Section, "Information" means all information received from any Credit Party relating to any Credit Party or its business, other than any such information that is available to any Secured Party on a nonconfidential basis prior to disclosure by any Credit Party; provided that, in the case of information received from any Credit Party after the date hereof, such information is clearly identified at the time of delivery as confidential. Any Person required to maintain the confidentiality of Information as provided in this Section shall be considered to have complied

with its obligation to do so if such Person has exercised the same degree of care to maintain the confidentiality of such Information as such Person would accord to its own confidential information.

SECTION 9.13 Interest Rate Limitation.

Notwithstanding anything herein to the contrary, if at any time the interest rate applicable to any Loan or other amount due hereunder, together with all fees, charges and other amounts which are treated as interest on such Loan or other amount under applicable law (collectively the "Charges"), shall exceed the maximum lawful rate (the "Maximum Rate") which may be contracted for, charged, taken, received or reserved by the Lender holding such Loan or other party contracting for, charging, taking, receiving or reserving such other amount in accordance with applicable law, the rate of interest payable in respect of such Loan or other amount hereunder, together with all Charges payable in respect thereof, shall be limited to the Maximum Rate and, to the extent lawful, the interest and Charges that would have been payable in respect of such Loan or other amount but were not payable as a result of the operation of this Section shall be cumulated and the interest and Charges payable to such party in respect of other Loans or amounts or periods shall be increased (but not above the Maximum Rate therefor) until such cumulated amount, together with interest thereon at the Federal Funds Effective Rate to the date of repayment, shall have been received by such party.

SECTION 9.14 Marshalling; Recapture.

None of the Secured Parties shall be under any obligation to marshal any assets in favor of any Credit Party or any other party or against or in payment of any or all of the Obligations. To the extent any Lender or the Issuing Bank receives any payment by or on behalf of any Credit Party which payment or any part thereof is subsequently invalidated, declared to be fraudulent or preferential, set aside or required to be repaid to any Credit Party or any of its estates, trustees, receivers, custodians or any other party under any bankruptcy law, state or federal law, common law or equitable cause, then to the extent of such payment or repayment, the Obligations or part thereof which has been paid, reduced or satisfied by the amount so repaid shall be reinstated by the amount so repaid and shall be included within the liabilities of such Credit Party to such Lender or the Issuing Bank, as the case may be, as of the date such initial payment, reduction or satisfaction occurred.

SECTION 9.15 Recourse.

The Loans and the other Obligations shall be fully recourse to each Credit Party. Notwithstanding the foregoing, no recourse under or upon any obligation, covenant, or agreement of the Borrower contained in this Agreement or any other Loan Document shall be had against

the Managing GP or the Special GP (other than for their fraud, theft, willful misconduct or gross negligence), and neither the Managing GP nor the Special GP shall be personally liable for payment of the Loans, the LC Disbursements or other amounts due in respect thereof (all such liability being expressly waived and released by each Secured Party). The agreements, covenants, representations and warranties herein made by or referring to the Managing GP or the Special GP in their individual capacity and not in their representative capacity as general partners of the Borrower shall be fully recourse to the Managing GP or the Special GP.

SECTION 9.16 Acknowledgements.

Each Credit Party hereby acknowledges that:

(a) it has been advised by counsel of its choice in the negotiation, execution and delivery of this Agreement and the other Loan Documents;

(b) none of the Secured Parties has any fiduciary relationship with or fiduciary duty to any Credit Party arising out of or in connection with this Agreement or any of the other Loan Documents, and the relationship between the Secured Parties, on the one hand, and the Credit Parties, on the other hand, in connection herewith or therewith is solely that of creditor and debtor; and

(c) no joint venture is created hereby or by the other Loan Documents or otherwise exists by virtue of the transactions contemplated hereby among the Lenders or among any Credit Party and the Lenders or among any Credit Party and the Agent or among any Credit Party and the Issuing Bank or among any combination of the foregoing.

SECTION 9.17 Syndication Agent and Administrative Agent.

Neither the Syndication Agent nor the Administrative Agent shall have any duties, responsibilities or liabilities under this Agreement or any other Loan Document in their respective capacities as Agents.

[SIGNATURE PAGES FOLLOW]

IN WITNESS WHEREOF, the parties hereto have caused this Credit Agreement to be duly executed and delivered by their respective authorized representatives as of the day and year first above written.

AMB INSTITUTIONAL ALLIANCE FUND I, L.P.,
a Delaware limited partnership

By: AMB PROPERTY, L.P., its managing general partner

By: AMB PROPERTY CORPORATION,
its general partner

By:

Name:
Title:

Address:

505 Montgomery Street, 5th Floor
San Francisco, California 94111
Attention:

Telephone No.:

Telecopy No.:

AMB INSTITUTIONAL ALLIANCE REIT I, INC.,
a Maryland corporation

By:

Name:
Title:

Address:

505 Montgomery Street, 5th Floor
San Francisco, California 94111
Attention:

Telephone No.:

Telecopy No.:

Signature page to Credit Agreement with AMB Institutional Alliance Fund I, L.P. and AMB Institutional Alliance REIT I, Inc.

THE CHASE MANHATTAN BANK, as a Lender, as
Issuing Bank, as Syndication Agent, and as Agent

By:

Name:
Title:

Address:

The Chase Manhattan Bank
270 Park Avenue
31st Floor
New York, New York 10017
Attention: Mr. Charles E. Hoagland, Jr.
Telephone No. : (212) 270-9557
Telecopy No.: (212) 270-3513

with copies to:

The Chase Manhattan Bank
270 Park Avenue
39th Floor

New York, New York 10017
Attention: William C. Viets, Esq.
Telephone No.: (212) 270-1268
Telecopy No.: (212) 270-2873

and

The Chase Manhattan Bank
One Chase Manhattan Plaza
8th Floor
New York, New York 10081
Attention: Ms. Christina Gould
Telephone No.: (212) 552-7684
Telecopy No.: (212) 552-5701

Signature page to Credit Agreement with AMB Institutional Alliance Fund I, L.P. and AMB Institutional Alliance REIT I, Inc.

BT REALTY RESOURCES, INC., as a Lender and as Administrative Agent

By: _____
Name:
Title:

Address:

BT Realty Resources, Inc.
130 Liberty Street
New York, New York 10006
Attention: _____
Telephone No.: _____
Telecopy No.: _____

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THIS SCHEDULE CONTAINS SUMMARY FINANCIAL INFORMATION EXTRACTED FROM AMB PROPERTY, CORPORATION'S CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED) FOR THE PERIOD ENDED SEPTEMBER 30, 1999 AND IS QUALIFIED IN ITS ENTIRETY BY REFERENCE TO SUCH CONSOLIDATED FINANCIAL STATEMENTS.
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